ENTREPRENEURS’ SUCCESS IN THE SMALL AND MEDIUM SCALE HOMESTAY TOURISM BUSINESS IN SRI LANKA

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ABSTRACT

Home stay tourism is popular, specially, in the ASEAN region, and Sri Lanka is also benefiting a lot from this industry. In the literature, the importance given to homestay tourism is skeletal within the study context of Sri Lanka. On this premise, the researchers intended to: explore the nature of homestay entrepreneurs, factors affecting the homestay entrepreneurs’ success, and the current challenges, faced by the homestay entrepreneurs that are affecting the continuation of homestay businesses in the southern coastal area in Sri Lanka. Researchers designed this study as a qualitative grounded theory study, valuing constructionist research paradigm. Researchers defined homestay entrepreneurs after identifying their nature and a set of personal and impersonal factor that have been critical in determining homestay entrepreneurs’ success. The researchers further identified a set of challenges in the areas of government involvement, financial challenges, human resource development, destination development and competition. The researchers concluded the study by defining homestay entrepreneurs and developing a conceptual framework that explain the phenomenon of homestay tourism entrepreneurs’ success that can be used for educational and policy making purposes. Researchers identified a set of implications and recommendations in the development of entrepreneurs, homestay business process and its context, and collaborations.

Keywords: Entrepreneur, Homestay tourism, Rural community, Stakeholders, Tourism destination

INTRODUCTION

Tourism has become one of the foremost stimulators for economic growth and development in many countries as it provides many business and employment opportunities. It is the business of attracting and serving the needs of people travelling and staying outside their home communities for business or pleasure (SLTDA, 2018). Sri Lanka, being a third world and developing country has shown potentials to realize lots of opportunities to benefit the country from the homestay tourism industry. Homestay is now becoming widespread among tourists as a novel tourism product. Homestays are outstanding attractions that develop communities by increasing their income while maintaining the culture and environment of the local area.

The Sri Lanka Tourism Development Board (SLTDA) has reported that Sri Lanka has focused on increasing the number of tourists coming into the country. Lonely Planet listed Sri Lanka as the number one tourist destination for the year 2019 whilst Sri Lanka simultaneously boasted 2.2 million tourists at the closure of 2018. Meanwhile, with the gradual development of
the tourism sector, people showed their willingness to engage in niche tourism such as homestays as a new tourism experience and a concept (Fernando, 2014). Simple lifestyles of residents have become an important attraction of tourists to experience homestay. Homestays in Sri Lanka have been established in every part of the country (SLTDA, 2016). Developing the homestay sector is a key priority in Sri Lanka. Many initiatives have been taken to boost the tourism industry, including the formulation of a three-year tourism strategic plan and giving subsidized credit for homestay providers (SLTDA, 2018).

Success of homestay entrepreneurship is dependent on two factors: success of homestay entrepreneurs, and the success of homestay business. Entrepreneurship emphasizes on opportunities in creating businesses and organizations to stimulate progress even in spite of unfavorable economic and political environments (Bygrave, 1993). Many empirical studies show that the factors related to business success are not the factors related to entrepreneurs’ success (Kapustin, 2016). Many scholars have specified that the reason for many small business failures is the failure of entrepreneur and their lack of competencies (Kiggundu, 2002; Longenecker, Simonetti, & Sharkey, 1999). Beaver and Jennings (2005) argued that the irrational behaviors in managing the business is the key to fail homestay business. In this case, the skills of entrepreneurs have been so critical in eliminating the negative impact of external factors on the business success (Wasilczuk, 2002). Hence, it is worthwhile to know the factors that affect the success of homestay entrepreneurs. However, there are no studies, done within the study context of Sri Lanka to identify the phenomenon of entrepreneurs’ success in the homestay industry in Sri Lanka.

RESEARCH OBJECTIVES

This study set mainly three research questions:
1. To identify the nature of successful homestay entrepreneurs as valued by themselves in the southern coastal area, Sri Lanka
2. To identify the factors affecting the entrepreneurs’ success in the homestay tourism business in the southern coastal area, Sri Lanka.
3. To identify the current challenges, faced by the entrepreneurs in the continuation of homestay tourism business in the southern coastal area, Sri Lanka.

LITERATURE REVIEW

Homestay Tourism

Entrepreneurs are largely seen as those who break patterns and change industries (Wasilczuk, 2002). They many has recognized entrepreneurship as highly important for socio-economic prosperity (Brandstätter, 2011). The process of entrepreneurship is highly dynamic, and it makes little sense to search for general structures, equilibrium, and universal hypotheses (Nielsen & Lassen, 2012). Homestay entrepreneurship has unique characteristics: it is an effective and a cheaper way of experiencing the lifestyle of people living in a country while helping to sustain the tourism industry (Gunaratna, 2014); homestays are destined to provide a place to accommodate and cater the tourists with home-made foods and delicacies and take care of the tourists like their own family members (Scheyvens, 1999); it provides a chance to stay with selected family, link up and experience the daily life of their homestay family and learn the culture and lifestyle of the rural community (Nguyen, 2001); and homestay industry is also identified as a “community-based
ecotourism venture” that empower the local community at psychological, social, political and economic levels (Scheyvens, 1999).

Small and Medium Enterprises (SMEs)

The term SME is a condensation for ‘small and medium scale enterprises’ that operate in small and medium in sizes (Darren, 2009). SMEs are one of the main engines of development of a healthy economy (Nafukho & Muya, 2010) and they transform and develop communities. They are firms or businesses, developed as a result of entrepreneurial activities of individuals. There is no single definition and meaning for SMEs due to their global level diversities and varied characteristics (Darren, 2009). Arowomole (2000) also affirmed that a single and universally accepted definition of SMEs has not been easy as different countries have different criteria for defining SMEs. Many countries have defined SMEs in terms of manpower, management structure, and capital investment limits. SMEs suffer from many types of risks in business. They usually have difficulties in the business operation and their developments, and in the training and development of human resources (Nguyen, 2001).

Previous empirical studies showed that measuring the success of small business is likely to replicate the fusion of personal characteristics and attributes of the small business owner (Walker & Brown, 2004). According to Naman and Slevin (1993), there is merit in using both subjective and objective performances in measuring SMEs success. Thus, SMEs’ business success can be measured by using financial success and nonfinancial success. The financial criteria are usually considered to be the most suitable measure of business success. Yet, many small business entrepreneurs are motivated to start businesses based on personal factors (Yadav, 2015). Therefore, non-financial goals could lead to alternative measures of success, particularly in the small business sector (Walker & Brown, 2004). However, there is no fixed model or theory to measure the entrepreneurial success. Based on empirical findings, entrepreneurial success can be measured using factors such as personal characteristics, social capital, human capital, and strategic factors that contributes to entrepreneurial success (Mosey & Wright, 2007).

Success Factors of an Entrepreneur

**Personal characteristics of entrepreneurs**

Personal characteristics are essential for a good entrepreneur such as right attitude towards work, be serious and careful. Entrepreneurs’ personality traits have also been identified to have impact on organizational performance (Robinson & Sexton, 1994). They must have the will, confidence and passion for work as well as the adventurous spirit and determination, creativity, patience, the ability to question, strategic vision and detailing in operations (Fairlie, 2014). The competencies, needed for the success of SME entrepreneurs can be identified as: flexibility and business acumen; innovative thinking and creativity; confidence; adventurous spirit and determination; patience; capacity of generality; punctilious spirit; eagerness to learn (Trang, 2016); and tolerance for risk, and preference for autonomy (Fairlie, 2014).

**Social capital**

Social capital boosts entrepreneurship development as it enables them to access essential resources via social networks and partnerships by conserving their time and money (Ossai &
Lucky, 2012). Social capital is ‘the networks of relationships among people who live and work in a particular society’ (Dana & Light, 2012). Membership in multiple social networks also enhances people’s mental capability to perceive opportunity and encourage their entrepreneurial leadership (Dana & Light, 2012). Obstructions to social capital occur due to closed social networks. Social networks swiftly propagate information trends and provide a lot of benefits with the entrepreneurs to survive within the society with their businesses (Fairlie, 2014). It helps to creates network by the participants to mitigate the reward unsafety, mediocrities and risk of entrepreneurship (Dana & Light, 2012).

**Human capital**

Human capital is identified as one of the most important resources in SMEs (Chawla, Khanna, & Chenn, 2010). Human capital is vitally important for entrepreneurial organizations’ success through entrepreneurs’ education, experience, and skills (Saqib, 2018). Investment in human capital (in education, experience, and knowledge) creates multi-dimensional benefits for the economy as well. Effective human capital formation through the medium of ‘Entrepreneurship Education and Training’ (EET) is of increasing concern for governments, as EET is growing rapidly across the world (Bruce et al., 2012).

**Strategic Factors**

Strategic planning is one strategic factor that is concerned with setting of long-term organizational plans and implementation (Chawla, Khanna, & Chenn, 2010). The entrepreneurial orientation becomes another strategic factor that promote innovativeness and proactivity, along with risk-taking characteristics, to cope up with constantly changing and dynamic marketplaces (Hakala, 2015). Proactive personality is a relatively stable individual disposition toward proactive behavior. Accordingly, proactive personality has been defined as a dispositional construct that identifies differences among people in the extent to which they act to influence their environment (Delle & Amadu, 2015).

**Challenges to the Continuations of the SME Business**

The journey of entrepreneurs is not smooth. They frequently need to tackle various challenges that sometime jeopardize their endeavor. Some scholars have explored that home stay operators have been facing numerous challenges when they practically implement homestay projects (Kunjuraman & Hussin, 2013). Literature exposed that a number of studies have recognized factors, such as inexperience in the field of business, lack of technical knowledge, poor managerial skills, lack of planning skills, and lack of market research skills, as the main challenges hindering the success of SMEs in developing countries (Baron & Shane, 2007). It is also noticed that poor bookkeeping practices often make it difficult for SMEs to be successful (Tushabomwe, 2006). Growth of small and medium enterprises may also be hindered by environmental challenges, such as competition, unfriendly business environment, government regulatory and law issues, and the condition of the economy. The key challenge faced by SMEs in most developing countries is meeting both local and global competition from established businesses. SMEs’ competitiveness in developing countries
is hindered because of lack of manpower and development skills and access to adequate finance (Fumo & Jabbour, 2006). Fumo and Jabbour (2011) also report that regulatory and legal issues, macro-economic policies, and other forms of regulatory policies are also the challenges that hinder the success of SMEs, especially in developing countries.

**RESEARCH METHODOLOGY**

The researchers used qualitative research approach to explore the entrepreneurs’ success in the small and medium scale homestay tourism business by selecting data-rich sample from the homestay tourism entrepreneurs in the southern coastal area, Sri Lanka. This study demanded naturalistic enquiry to ‘get close to data, to know well all the individuals involved, and observe and record what they do and say’ (Mirza, 2017). From this end, it is essential to use a methodology that allows the researcher to have a comprehensive view on the subject (Tahereh et al., 2015), and that qualitative research approach was used with the constructionist’s paradigm. Constructionists believe that there is no single reality or truth, and therefore reality needs to be interpreted in relation to its context to realize those multiple realities (Glaser & Strauss, 1967). Constructivism suggests that reality is raised by human interactions, and knowledge is a human product which is socially and culturally developed. Entities create meaning through their interactions with each other and with the environment in which they live (Adom, Yeboah, & Ankrah, 2016). This study valued how respondents articulate a meaning for their success and to what they attribute such success. This led the researchers to investigate how the respondents construct the meaning of the phenomenon in question. For this purpose, the researchers used grounded theory as the research strategy to uncover about the unknown aspects and to obtain a different view on the phenomenon in question (Glaser & Strauss, 1967) which is the entrepreneurs’ success in small and medium scale homestay tourism business.

Theoretical sampling governed the study to collect rich data using in-depth interviews and secondary data sources such as Annual reports, issued by Sri Lanka Tourism Development Authority, newspaper articles, and past research related to homestay tourism. According to the Tourism Strategic Plan 2017-2020, ‘Galle’ was identified as the most popular touring route and that, the researchers selected Gall as the site for this research. Researchers conducted Ten in-depth interviews by reaching data saturation. Straussian data analysis method was used, applying their coding paradigm as data analysis method (Strauss, 1987; Strauss & Corbin, 1990) which consisted of open coding, axial coding and selective coding, resulting in generating categories under entrepreneurs’ nature, their success factors, and challenges to answer three research questions of this study. The researchers applied the quality-measure of the Straussian GT approach (Strauss & Corbin, 1990) to preserve the quality of the research.

**RESEARCH FINDINGS AND DISCUSSIONS**

The researchers presented the nature of homestay entrepreneurs’ success as valued by homestay entrepreneurs, factors affecting the homestay entrepreneurs’ success, and the challenges that the homestay entrepreneurs facing in the continuation of their homestay tourism businesses.
Nature of the Successful Homestay Entrepreneurs as Valued by the Homestay Entrepreneurs

After analyzing data through coding, the researchers developed higher level categories to finally construct a conceptual model as the final result of analysis for the research question, as presented in figure 01.

Figure 1 Nature of Successful Homestay Entrepreneurs
The characteristics of the nature of successful homestay entrepreneurs, depicted in figure 01, are discussed in the below mentioned sections.

**Hospitality service provider**

According to the respondents, the most unique and fundamental characteristic in identifying the nature of a homestay entrepreneur is the ‘hospitality service provider’. This means that the homestay entrepreneurs are meant to deliver a place to stay and serve the tourists with homemade food and other required services while taking care of the tourist with the help of the entrepreneur’s own family members. Accordingly, hospitality is the connection between a guest and a service provider, where the homestay entrepreneur receives the guest with goodwill, including the reception and entertainment. The nature of hospitality service provider is attributed by heartfelt and unique service, customer happiness and satisfaction, highly appreciable hospitality, high quality delivery, and fruitful communication. Accordingly, as per the views of the respondents, homestay entrepreneurs can be recognized as people who show great hospitality towards their customers without any hesitation to provide a quality and unique service for the customers’ great satisfaction. Thus, the duties of homestay entrepreneurs, as a hospitality service provider, become critical set of attributes, affecting their success.

**Manager**

Most of the respondents emphasized that the success of homestay entrepreneurs is decided based on their nature of being effective ‘manager’. As data revealed, most of the homestay entrepreneurs’ value: effective management of resources and activities; taking responsibility for administering the homestay business with cautious planning, organizing, directing, and controlling of existing resources; being efficient and effective in meeting the customers’ needs with quality service; and leading to gain profits. In this manner, the successful homestay entrepreneurs are good managers in managing their unique business context.

**Risk Taker**

As, revealed by data, a peculiar attribute of successful homestay entrepreneurs is that they are risk takers. All entrepreneurs are risk takers, however, for homestay entrepreneurs, the risk is a part and parcel of their business process due to structural issues in the political environment, the bureaucratic nature in financial organizations, and lack of prudence in government policy and practice. As data revealed, the successful homestay entrepreneur plays as; a venturer, operator of the business with risk, appreciator the excitement in doing business, and great anticipator for gaining profits and wealth. The risk becomes a crucial factor at starting, maintaining, developing and sustaining the homestay tourism business with the influence of financial problems, competition, and country factors like country image and political role.

**Coordinator**

As per the perceptions of the respondents, a homestay entrepreneur is a person who coordinates existing resources, information, and duties and tasks in cost effective manner. This coordination is done with minimum use of resources, while using information to negotiate with others in order to ensure the success of their work, and to satisfy their customers. Thus, the prime
objective of homestay entrepreneur is to do effective coordination for better customer satisfaction through greater level of hospitality towards their customers, that intern guaranty their personal needs fulfilments.

**Operator**

Homestay entrepreneurs themselves play a critical role in homestay business operations from the start to end of the value chain. This is due to the highly personalized nature of the industry, and his or her involvement in the business process in executing tasks, arranging resources, dealing with customers, and promoting uniqueness of the business to consequently attract more customers in earning good income. Since the homestay business are mainly run by the family members and not many other employees are employed, in every aspect of the homestay business operations, the ‘entrepreneurs’ touch’ uniquely contributes to their service differentiation from other competitors.

**Factors Affecting the Entrepreneurs’ Success in Homestay Tourism Business**

The analysis results present a list of categories of factors that influence the success or failure of homestay tourism entrepreneurs. The main categories and their sub properties of such factors are given in figure 02.
As depicted in figure 2, identified factors that affect the success of homestay entrepreneurs are: entrepreneur’s personality traits, behavioral factors, personal values, social capital, human capital, strategic factors, and geographical factors.

Personality characteristics and behavioral factors are mainly the qualities of homestay entrepreneurs that includes communication skills, negotiation skills, patience, determination,
sociability, perseverance, innovative thinking, confidence, creativity/creative thinking, pleasantness, friendliness, self-efficacy, restraint, proactiveness, courtesy and persistence. Personal values represent entrepreneur’s values on heartiest welcome, ‘not only the profit’, heartiest service, discipline, honesty, sense of belonging to all tourists, hospitality, willingness to serve and humanity. Human capital denotes, education, skills and abilities, experience, judgement, and knowledge. Social networks consist of support from family, friends and close acquaintances and social recognition, human relation, cultural exposure, and government support. Strategic factors relate to organizational goals, opportunity recognition, and managerial conceptual skills. Finally, the geographical factors consist of natural environment, built environment, climate, and natural ecology.

The Current Challenges, Faced by Homestay Entrepreneurs in The Continuation of Homestay Tourism Business

Figure 3 presents the challenges that homestay entrepreneurs face in the continuation of their homestay tourism business.
Figure 3 Challenges for the Continuation of Homestay Entrepreneurs’ Business
Less government support in providing the support to destination development, low facility development, less standard procedure to start and continue the business, and non-availability of equitable service to entrepreneurs has been crucial. Further, the negative impact of the government through high charges imposed on tourists, taxes, and regular elections threatened the homestay tourism business. Financial challenges such as lack of loan facilities to homestay entrepreneurs, lack of fixed rate for rooms, less income level due to lack of fixed income are also critical. Problems such as low standard facilities, low quality service, and low standard services are stimulated by lack of knowledge about the homestay tourism concept. Lack of education and training is a result of poor financial management, language barriers, and lack of orientation to obtain customer feedback. Social problems such as terrorism, community people’s misbehavior, and negative attitudes of the society hinder the success of the homestay tourism. Poor destination image, created by use of weak proportional tools, low customer trust, and customers’ negative feedback make the Sri Lankan’s homestay tourism industry less popular among other Asian countries. Hostel concept and law standards of homestay business make the home stay entrepreneur less competitive in the face of competition in the market.

CONCLUSIONS AND RECOMMENDATIONS

In concluding the research, the researchers defined the nature of homestay entrepreneur, based on the nature of the successful homestay tourism entrepreneurs as the person who ‘successfully act as an effective manager, coordinator, and operator, accepting potential risks as a heartfelt hospitality service provider to fully meet customers’ need for their fullest satisfaction while gaining personal satisfaction and profit to sustain the homestay tourism business’.

Further, the researchers drew a conceptual framework that depicts the domain of homestay entrepreneurs’ success, highlighting the nature of successful homestay entrepreneur, success factors and challenges, as shown in figure 4.
Figure 04 A Conceptual Framework for Explaining Homestay Entrepreneurs’ Success

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<th>Homestay Entrepreneurs Success Factors</th>
<th>Challenges for Business Continuation</th>
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<td><strong>Personal Characteristics &amp; Behavioral Factors</strong></td>
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<td><strong>Personal Values</strong></td>
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<td>Not profit oriented.</td>
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<td>Discipline</td>
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<td>Honesty</td>
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<td>Sense of belonging to all tourists.</td>
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<td>Creating Opportunities</td>
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Less government involvement
Financial challenges
Lack of knowledge about the concept,
Lack of education and training
Social problems
Impact of the government
Destination image
Competition

Homestay Entrepreneurs’ Success

Continuation of the Business

Nature of the Homestay Entrepreneur
Manager
Risk Taker
Coordinator
Operator

Nature of the Homestay Entrepreneur
Manager
Risk Taker
Coordinator
Operator
Based on the research conclusions, researchers identified the implications and recommendations in selected areas.

**Entrepreneurial Personality Development**

The study conclusions lead few implications, first, the definition of successful home stay entrepreneur demands a trained and educated person other than his or her creativity and risk-taking ability. Lack of training and education has been a reason for collapsing new ventures, though they are supported with finance by the financial institutes and government. New definition further direct entrepreneurs to focus more on customers’ need satisfaction rather prioritizing profits first. Further, the definition delineates a need that homestay entrepreneur has a great role to play in striking a balance between their private family life and homestay business that finally guaranty a ‘sustainable homestay business’. Therefore, the researchers recommend that a systematic program should be launched to educate and train the homestay entrepreneurs on the management process, self-management, family management, customer caring and customer management, and business and financial literacy. This can be a part of any institutional or government facilitating programs, aimed at home stay entrepreneurs’ development.

**Homestay Business Process Development**

The success factors to homestay entrepreneurs’ success imply that homestay entrepreneurship development should be a process, not a standalone program, that emphasize the importance of changing the conditions and the context of homestay entrepreneurship, rather focusing only on financial facilitation. It further demands meso mand macro level interventions rather focusing only on micro level programs. Therefore, the researchers recommend to focus on developing the whole supply and demand value chin of the homestay tourism entrepreneurship through a properly designed policy planning. Further, since the personality traits, behavioral factors, personal values, social capital, human capital, and strategic factors are crucial for entrepreneurs’ success, the researchers emphasize the need of prioritizing on personality and competency development programs over mere financial stimuli packages, most commonly offer. Since the implications of geographic location and climate is high, homestay tourism business development should be creatively diversified based on geographical sensitivities.

**Homestay Business Context Development**

The identified challenges implicate with contextual and conditional improvements in the homestay tourism business. This demands high level of agility, flexibility and proactiveness of entrepreneurs. Therefore, the researchers suggest to empower homestay entrepreneurs with right competencies through training and education to cushion against such challenging forces. Further, it is important to address these broader challenges under the government policy planning and execution with regard to homestay tourism business development. The role of relevant institutions such as Sri Lankan Development Authority, Tourism Promotional Bureau, the provincial and urban council of the country should pay their attention to the real nature of the homestay entrepreneurs to improve their business processes. Further, government initiatives in policy planning should involve the homestay entrepreneurs as a critical stakeholder to know the reality in the industry for more viable government policy planning. The national and regional human resource development policy and practice have to be initiated, linking them in overall national
As an initiative to develop the context of the homestay tourism industry in Sri Lanka, government has a definite role in developing tourist destinations all over the country by increasing the facilities in such areas. This is plausible through national and regional planning and policy. In this regard, attention towards to develop tourist information centers, tourism policies, and improving other infrastructure facilities such as restrooms, road, safety, and transportation is essential.

Empowerment of Government and Other Agencies

Further to overcome challenges, the role of government institutions should be further strengthened. As an example, SLTDA (Sri Lankan Tourism Development Authority) can impose guidelines on accessibility, sanitary and hygiene conditions, and cleanliness within the place, while continuously observing the situation to further enhance the quality. Importantly, the government, being the central body, can play the main facilitator role while articulating applicable rules, and regulations for the industry. Specially, community education on how to accept and live with the industry is a key for this industry’s progress. In the execution of these roles, government and its main institutions can play a critical role to improve the entrepreneurial capabilities of homestay entrepreneurs. In this regard, universities, higher education institutes such as Sri Lanka Institute of Advanced Technological Education (SLIATE), Sri Lanka Institute of Tourism and Hotel Management (SLITHM), the University of Vocational Technology (UNIVOTEC), and Vocational Training Authority (VTA) can take a leading role in entrepreneurial competency development through effective training and education and awareness programs. Additionally, to address the financial problems, bankers and other government authorities, like SLTDA can offer financial supports to meet entrepreneurs’ capital requirements. Programs such as pension schemes and investment plans can be attractive under such initiatives. Mainly, to mitigate the marketing and promotional issues, the relevant ministries can play as a central promotional agent role. As a result, an online platform of creating a website and giving assistance to site-level promotions can be encouraged to launch effective promotional campaigns.

Furthermore, connecting societies with the homestay business is essential to make a bigger impact on the homestay business, and the economy at large. This is plausible: by spreading benefits to the society; making the community aware of the industry; and encouraging community members to engage in supportive business such as transportation, guiding, food outlets, craft and gift shops, and other needed services.

National Level Collaborative Arm for Homestay Tourism Business

The researchers suggest to establish a national level homestay tourism business association with the participation of all the homestay entrepreneurs and other stakeholders for the betterment of the industry. This should be a ‘tripartite’ arrangement where homestay entrepreneurs, government and other business sectors, and universities and educational agencies get together. This arm then will be a key negotiator on behalf of the homestay business community with the government and other agencies at national level as well as regional and international bodies for the development of both homestay tourism business and homestay tourism entrepreneurs.
REFERENCE


