

**THE EFFECT OF COVID-19 PANDEMIC ON THE TOURISM  
SECTOR, AND ITS PATH TOWARDS RECOVERY: A CASE  
STUDY OF THE HOMESTAY INDUSTRY OF THE  
KATHMANDU VALLEY IN NEPAL**

by

Akshata Mathema

A Thesis Submitted in Partial Fulfillment of the Requirements for the Degree of  
Master of Science in Development and Sustainability

Examination Committee: Prof. Mokbul Morshed Ahmad (Chairperson)  
Dr. Takuji W. Tsusaka  
Prof. Kyoko Kusakabe

Nationality: Nepalese  
Previous Degree: Bachelor of Business Administration in Marketing  
GD Goenka University, India  
Scholarship Donor: AIT Scholarships

Asian Institute of Technology  
School of Environment, Resources and Development  
Thailand  
December 2022

## **AUTHOR'S DECLARATION**

I, Akshata Mathema, declare that the research work carried out for this thesis was in accordance with the regulations of the Asian Institute of Technology. The work presented in it are my own and has been generated by me as the result of my own original research, and if external sources were used, such sources have been cited. It is original and has not been submitted to any other institution to obtain another degree or qualification. This is a true copy of the thesis, including final revisions.

Date: 6<sup>th</sup> December, 2022

Name (in printed letters): AKSHATA MATHEMA

Signature

A handwritten signature in black ink, appearing to read 'Akshata Mathema', written over a horizontal line.

## **ACKNOWLEDGMENTS**

First and foremost, I would like to thank God for blessing me with the opportunity to obtain education. Though education is categorized as a basic need, we all know that thousands of people all around the world are fighting for their rights to claim these rights. So, being able to pursue a master's degree at Asian Institution of Technology (AIT) is a blessing that cannot be taken for granted.

Secondly, I would like to thank my advisor, Prof. Mokbul Morshed Ahmad, without who's time, advices, and feedbacks, the thesis would not have been possible. His valuable suggestions and comments contributed greatly towards the successful completion of the study. I would also like to extent my sincere gratefulness towards my committee members Dr. Takuji Wen Tsusaka and Prof. Kyoko Kusakabe for their generous assistances and advices that helped improve my study even further.

Furthermore, I would like to thank Mr. Suraj Bastola, Treasurer of the Homestay Association of Nepal (HOSAN) for supporting me in the overall data collection process, and helping me get in touch with all the Homestay respondents for the study. I would also like to express appreciation to Ms. Ranu Shah, Manager at Nepal Tourism Board (NTB) and Dr. Anu K Lama, Tourism Expert at ICIMOD for sparing their precious time, and sharing their valuable knowledge regarding the subject matter. Without their assistance, the study would have been impossible.

I would also like to thank the readers who read this paper. I appreciate your time and interest on my paper.

Lastly, I would like to acknowledge the constant support and encouragement provided by my family, which strengthened me in conducting and completing the study.

My heartfelt gratitude to all.

## **ABSTRACT**

The COVID-19 pandemic is an ongoing global pandemic effecting individuals, organizations and economies all around the world. Tourism Sector, has suffered greatest due to the pandemic. Nepal's economy relies heavily on this sector. Homestay Industry is an accommodation providing industry within the sector, where host families welcome guests into their homes, and provide an authentic, one-of-a-kind experience. This industry was pushed to a standstill situation due to the lockdowns and travel restrictions brought by the pandemic. Despite that, there has been minimal to no researches conducted regarding this. In order to address the gap, this study is conducted.

Kathmandu Valley was chosen as the study area. Questionnaire survey and Key Informant Interviews (KII) were conducted with the respondents. The study used a mixed method of both quantitative and qualitative data analyses. The analyses depended heavily on primary data due to the lack of sufficient secondary data available.

Findings showed that the economic flow of Community Homestays were affected more by the pandemic compared to Private Homestays. Though the businesses suffered economically in 2020 and 2021, most business owners expected satisfactorily business performance in 2022. More than half businesses did not take measures to recover from the pandemic, insisting to wait for improved situation, before taking measures. Most common measures taken was renovation targeting future business prospect. Only half of the financial support were provided by government were applicable for Homestays. Hence, it can be said that the pandemic has a devastating impact on the Homestay Industry, but even so, little to no measures have been taken to recover from it. Most governmental support provided, have not reaching the stakeholders of the industry, pushing the industry further away from recovery.

To deal with this situation, firstly the Homestay Association of Nepal (HOSAN) and Nepal Tourism Board (NTB) must encourage the stakeholders to take recovery measures, by providing technical and vocational support. Accessible financial support targeting small scaled business owners should be provided. Lastly, awareness programs regarding possible recovery measures, and the use of financial support provided should be conducted.

## **TABLE OF CONTENT**

	<b>Page</b>
<b>ACKNOWLEDGMENTS</b>	<b>iii</b>
<b>ABSTRACT</b>	<b>iv</b>
<b>LIST OF TABLES</b>	<b>xi</b>
<b>LIST OF FIGURES</b>	<b>xiii</b>
<b>LIST OF ABBREVIATIONS</b>	<b>xv</b>
<b>CHAPTER 1 INTRODUCTION</b>	<b>1</b>
1.1 Background of the Study	1
1.1.1 Homestay Industry	1
1.1.2 The effect of COVID-19 on the Tourism Sector and the Homestay Industry	2
1.2 Statement of the Problem	3
1.3 Research Questions	4
1.3.1 General Research Question	4
1.3.2 Specific Research Question	5
1.4 Rationale of the Study	5
1.5 Objectives of the Research	6
1.5.1 General Objective	6
1.5.2 Specific Objective	7
1.6 Scope and Limitations of the Study	7
1.6.1 Scope	7
1.6.2 Limitations	7
1.7 Conceptual Framework	8
<b>CHAPTER 2 LITERATURE REVIEW</b>	<b>10</b>
2.1 Tourism Sector	10
2.1.1 International Tourism	10
2.1.2 History of Tourism in Nepal	11

2.1.3	Past events that have negatively affected the Tourism Sector of Nepal post-independence	13
2.2	COVID-19 Pandemic	15
2.2.1	COVID-19 Pandemic in Nepal	15
2.2.2	Current International COVID-19 pandemic update	15
2.2.3	Lockdowns in Nepal	16
2.2.4	Summary of COVID-19 situation in Nepal until 21 <sup>st</sup> November 2021	17
2.2.5	Recent Condition	20
2.3	Economic Impact of COVID-19 pandemic on the Tourism Sector of Nepal	23
2.3.1	Overview	23
2.3.2	Tourism Sector	26
2.4	Cancellation of VNY 2020	28
2.5	Homestay Industry	29
2.5.1	Homestay in foreign Countries compared to Homestays in Nepal	29
2.5.2	History of the Homestay Industry of Nepal	30
2.5.3	Current situation of the Homestay Industry	34
2.5.4	Homestay as a tool for Sustainable Tourism	38
2.6	Effect of COVID-19 pandemic on Homestay Industry	43
2.6.1	Effect of Homestays in Foreign Countries with similar Homestays business model as Nepal	44
2.7	Financial Support provided by Government of Nepal	45
2.7.1	Support needed	45
2.7.2	Support provided	45
2.8	Chapter Summary	48
<b>CHAPTER 3 METHODOLOGY</b>		<b>50</b>
3.1	Type of Research	50

3.2 Research Site	51
3.3 Sampling Method and Procedure	53
3.4 Data Collection Methods	57
3.4.1 Data Collection	57
3.4.2 Secondary Data Collection	58
3.5 Data Analysis	59
3.5.1 Quantitative Data Analysis	59
3.5.2 Qualitative Data Analysis	61
3.6 Chapter Summary	63
<b>CHAPTER 4 HOMESTAY AND RESPONDENT PROFILE</b>	<b>65</b>
4.1 Respondent Profile	65
4.1.1 Profile of KII respondents	65
4.1.2 Profile of f Questionnaire Survey Respondents	66
4.2 Location of Respondent Homestays	70
4.3 Number of Rooms	72
4.3.1 Number of Rooms in Community Homestays	73
4.3.2 Number of Rooms in Private Homestays	74
4.4 Non-Homestay Services	75
4.5 Chapter Summary	76

<b>CHAPTER 5 ECONOMIC CHANGE BROUGHT BY THE COVID-19 PANDEMIC ON THE HOMESTAY INDUSTRY OVER THE YEARS 2019 TO 2022</b>	<b>78</b>
5.1 Economic Condition of Homestay Industry in the Immediate Pre-Phase	78
5.1.1 Overall Performance of Homestays	78
5.1.2 Profit generated by Homestays in 2019	79
5.1.3 Customer Type in 2019	83
5.1.4 Financial Resilience in 2019	86
5.2 Economic Condition of Homestay Industry During-Pandemic Phase	87
5.2.1 Overall Performance of Homestays	88
5.2.2 Profit generated by Homestays in 2020 and 2021	90
5.2.3 Customer Type in 2020 and 2021	101
5.2.4 Financial Resilience in the years 2020 and 2021	104
5.3 Economic Condition of Homestay Industry in the Current Phase	106
5.3.1 Overall Performance of Homestays	107
5.3.2 Profit generated by Homestays in 2022	110
5.3.3 Customer Type in 2022	115
5.3.4 Financial Resilience in the year 2022	116
5.4 Effect of COVID-19 Pandemic on the Revenue Generated	118
5.5 Effect of COVID-19 Pandemic on the Expended Incurred	120
5.6 Effect of COVID-19 Pandemic on the Profit Generated	122
5.7 Chapter Summary	123
 <b>CHAPTER 6 RESPONSE MEASURES USED BY THE HOMESTAYS TO RECOVER FROM ECONOMIC DAMAGE CAUSED BY THE PANDEMIC</b>	 <b>127</b>
6.1 Challenges face by Homestays during the COVID-19	130

Pandemic	
6.2 Concerns for Post-Pandemic Phase	132
6.3 Advantages that the Homestay Industry had over other Industries in the Tourism Sector	133
6.4 Homestays not using strategies to recover from the Pandemic	135
6.5 Strategies used by the Homestays to recover from the Pandemic	135
6.6 Strategies recommended by the Homestay experts to help Homestays recover from the Pandemic	139
6.7 Recovery Measures: Health and Sanitation-based	141
6.8 Chapter Summary	
<b>CHAPTER 7 ROLE OF GOVERNMENTAL FINANCIAL SUPPORT PROVIDED IN RECOVERY OF THE HOMESTAY INDUSTRY</b>	<b>145</b>
7.1 Gap in Financial Support	145
7.2 Homestays not using Financial Support	154
7.3 Difficulty in accessing Financial Support	155
7.4 Suggestions provided by Bank Representatives	158
7.4.1 Suggestions provided to the Government	158
7.4.2 Suggestions provided to the Homestays	160
7.5 Suggestions provided by Bank Representatives	161
7.5.1 Suggestions provided to the BFIS	161
7.5.2 Suggestions provided to the Government	162
7.6 Suggestions provided by Homestay experts to Homestays	162
7.7 Chapter Summary	163
<b>CHAPTER 8 DISCUSSION, CONCLUSION AND RECOMMENDATIONS</b>	<b>166</b>
8.1 Summary of Findings	166
8.2 Discussion of Findings	175
8.3 Conclusion	180
8.4 Recommendations	182

<b>REFERENCES</b>	<b>185</b>
<b>APPENDICES</b>	<b>203</b>
Appendix A Literature Review	<b>203</b>
Appendix B Questionnaire Survey	<b>214</b>
Appendix C KII Interview Questions	<b>219</b>
Appendix D KII for Experts of the Homestay Industry	<b>221</b>
Appendix E KII for Bank Stakeholders	<b>223</b>
Appendix E COVID-19 Prevention Guidelines developed by the Community Homestay Network	<b>224</b>

## LIST OF TABLES

<b>Table</b>	<b>Page</b>
Table 2.1 COVID-19 update of Nepal as of November 19, 2022	20
Table 2.2 The original versus revised economic plan for Nepal made by GoN, ADB, World Bank and IMF	24
Table 2.3 Effect of COVID-19 Pandemic on different Economic Sectors	25
Table 2.4 Capacity of Homestay in Nepal during the years 2017, 2018, and 2019	34-35
Table 2.5 The percentage of accommodation capacity through Homestays in Kathmandu District.	36-37
Table 3.1 Homestays and Homestay affiliated homes under Homestay Association of Nepal	54-55
Table 3.2 Frequency and Location of KII respondents	56-57
Table 3.3 Independent and Dependent variables for Multiple Regression Analysis	61
Table 3.4 Illustration of data sources, data collection and analysis methods used.	64
Table 4.1 KII respondent's details	65-66
Table 4.2 Homestay Profile by Type (questionnaire survey)	67
Table 4.3 Gender division of Homestay affiliated homes respondents.	68
Table 4.4 Questionnaire survey locality division	70-71
Table 5.1 Measures of central tendency for profit generated by Homestays in 2019.	80
Table 5.2 Multiple regression analysis results	82
Table 5.3 Proportion of Foreign Guests versus Nepalese Guests in 2019	83
Table 5.4 Loans taken from banks and interest rates paid in the year 2019	86

Table 5.5	Measures of central tendency for profit generated by Homestays in 2020.	91
Table 5.6	Multiple regression analysis results	94
Table 5.7	Measures of central tendency for profit generated by Homestays in 2021.	96
Table 5.8	Multiple regression analysis results	99
Table 5.9	Proportion of Foreign Guests versus Nepalese Guests in 2020	101
Table 5.10	Proportion of Foreign Guests versus Nepalese Guests in 2021	102-103
Table 5.11	Loans taken from banks and interest rates paid in the year 2020	104
Table 5.12	Loans taken from banks and interest rates paid in the year 2021	105
Table 5.13	Measures of central tendency for profit generated by Homestays in 2022.	110
Table 5.14	Multiple regression analysis results	112
Table 5.15	Proportion of Foreign Guests versus Nepalese Guests in 2022	113-114
Table 5.16	Loans taken from banks and interest rates paid in the year 2022	115
Table 6.1	Challenges faced by the Homestays during the pandemic	127
Table 6.2	Future concerns of the respondent Homestays	129
Table 6.3	Reasons for respondent Homestays not creating a recovery strategy	132
Table 6.4	Response measures used	133
Table 7.1	Homestays benefiting from the schemes provided by the Government.	161-162
Table 8.1	Key Findings	170-173
Table 8.2	Difference between Community and Private Homestays	176-179

## LIST OF FIGURES

### Figures

### Page

Figure 1.1	Major events caused due to COVID-19 pandemic	3
Figure 1.2	Conceptual Framework	9
Figure 2.1	Effect of 2015 Earthquake on the Tourism Sector	14
Figure 2.2	COVID-19 daily new cases and 7 day rolling average of new cases	18
Figure 2.3	Division of total cases on the basis of district.	21
Figure 2.4	Number of cases in November 2022 divided by gender	22
Figure 2.5	Number of cases on the basis of provinces in November 2022	22
Figure 2.6	GDP growth of Nepal (2017-2023)	23
Figure 2.7	Number of Tourist Arrivals in Nepal, in Thousands.	26
Figure 3.1	Methodological flowchart	50
Figure 3.2	Map of Nepal, showing the location of Kathmandu Valley	51
Figure 3.3	Map of Kathmandu Valley	52
Figure 4.1	Economic Dependence on Homestay Industry	69
Figure 4.2	Map of questionnaire survey locality division	71
Figure 4.3	Room Range of Respondent Homestays	72
Figure 4.4	Room Range of Respondent Community Homestays	73
Figure 4.5	Room Range of Respondent Private Homestays.	74
Figure 4.6	Non-Homestay activities provided	75
Figure 5.1	Economic performance of respondent Homestays in 2019	78
Figure 5.2	Homestays making positive and negative profit	81
Figure 5.3	Economic performance of respondent Homestays in 2020	88
Figure 5.4	Economic performance of respondent Homestays in 2021	89
Figure 5.5	Homestays making positive and negative profit	92
Figure 5.6	Homestays making positive and negative profit	97
Figure 5.7	Expected Economic performance of respondent Homestays in 2022	107

Figure 5.8	Homestays making positive and negative profit	111
Figure 5.9	Trend of mean revenue generated by respondent Homestays in the years 2019, 2020, 2021, and 2022	116
Figure 5.10	Trend of mean expenses incurred by respondent Homestays in the years 2019, 2020, 2021, and 2022	118
Figure 5.11	Trend of mean profit generated by respondent Homestays in the years 2019, 2020, 2021, and 2022	120
Figure 7.1	Homes affiliated to Community and Private Homestays benefitting from loan payment time extension support.	147
Figure 7.2	Financial support taken by Homestays from commercial and development banks, post declaration of pandemic.	148
Figure 7.3	Financial Support received by the Homestays	150
Figure 7.4	Reasons why Homestays were not using any Financial Support	152

## **LIST OF ABBREVIATIONS**

ADB	= Asian Development Bank
ANOVA	= Analysis of Variance
BFIS	= Banks, Finance, Insurance and Security
EIR	= Economic Impact Report
GDP	= Gross Domestic Product
GoN	= Government of Nepal
HEOC	= Health Emergency Operation Centre
HOSAN	= Homestay Association of Nepal
ILO	= International Labor Organization
KII	= Key Informant Interview
MoCTCA	= Ministry of Culture, Tourism and Civil Aviation
MoHP	= Ministry of Health and Population
NGO	= Non-Governmental Organization
NRB	= Nepal Rastra Bank
NRS	= Nepali Rupees
NTB	= Nepal Tourism Board
SDG	= Sustainable Development Goal
UNWTO	= United Nations World Tourism Organization
USP	= Unique Selling Point
VNY 2020	= Visit Nepal Year 2020

# CHAPTER 1

## INTRODUCTION

### 1.1 Background of the Study

#### *1.1.1 Homestay Industry*

Homestays refers to a tourist accommodation facility, where travelers are welcomed into the homes of the local people, living in the locality that they are visiting (Regmi, 2018). The industry provides affordable accommodation services for travelers, while also provides an opportunity for self-employment and profit generation for the host families.

The Homestay business model was legally introduced in Nepal in 2010 through the Homestay Working Procedure, 2067 Act. The main objective of the act was to provide self-employment and profit-generating opportunities for all the employment-seeking individuals in the country, aimed to achieve The Sustainable Development Goal (SDG) 8: Decent Work and Economic Growth. The Act separates the Homestays into Community Homestays: a group of Homestays (minimum 5) coming together and conducting business activities as one; and Private Homestays: Homestays conducting business activities individually.

However, on the other hand, it also needs to be noted that since opening a Homestay requires a home with a minimum set of standards such as at least 1 extra room for the guests, a hygienic kitchen and toilets, and an aesthetic traditional look, not all individuals of the country can afford to start a Homestay business. Since most Homestays are run by the owners themselves, it does not provide employment opportunities to non-owner employees. Hence the industry can further add to the economic inequality of the country.

### ***1.1.2 The effect of COVID-19 on the Tourism Sector and the Homestay Industry***

In the year 2019, tourism was considered one of the largest and leading economic sectors worldwide (UNWTO, 2020). The sector alone contributed about \$8.9 trillion global Gross Domestic Product (GDP), which was one-tenth of the total global GDP. The sector was also responsible for providing 1 out of every 10 jobs provided all around the world (WTTC, 2019). In the context of Nepal, in 2019, tourism alone earned \$651 million worth of foreign currency, contributed to 4% of the national GDP, and provided employment to 5% of the total workforce (UNDP, 2020).

However, after the declaration of the COVID-19 pandemic on the 11<sup>th</sup> of March 2020 (WHO, n.d), the tourism sector witnessed grueling changes and challenges. Concerning the annual Economic Impact Report (EIR) published by World Travel & Tourism Council, the tourism sector faced a loss of almost \$4.5 trillion in 2020, a drop of 49.1% of the global GDP contribution made by this sector, and a loss of 62 million jobs worldwide (WTTC, 2021). In Nepal, due to the pandemic, the national economy faced a 14.37% loss (Ulak, 2020), and tourist arrival dropped by 80% in 2020 compared to 2019 (GoN, 2020).

Some of the major events caused due to COVID-19, which were Achilles' heel for this sector are as follows:

## Figure 1.1

*Major events caused due to COVID-19 pandemic.*

13/1/2020	A Nepali student who was studying in China returned to Nepal. The student showed symptoms of the COVID-19 and was tested positive soon after.
24/1/2020	First press meet to update on COVID-19, chaired by Secretary was held. A Thermal Scanner was installed at Tribhuvan International Airport.
28/1/2020	The trading border with China was closed. HEOC started publishing daily Situation Update on CoVID-19.
10/3/2020	On-arrival visa for non-citizens from 5 COVID-19 hotspots were suspended.
11/3/2020	Mandatory self-quarantine of all individuals arriving from the eight nations (China, Italy, Spain, Iran, South Korea, Germany, France, and Japan) that had community spread was initiated.
23/3/2020	All international borders were sealed
24/3/2020	1st Nationwide lockdown imposed
21/7/2020	1st Lockdown ends.
17/8/2020	Nepal's airports reopened to international and domestic commercial air travel.
29/4/2021	Lockdown 2.0 imposed
1/9/2021	End of Lockdown 2.0 in Kathmandu Valley
21/9/2021	Reopen of Nepal India Border
3/12/2021	Nepal imposes ban on entry from 9 countries amid the spread of Omicron variant
10/3/2022	Nepal fully open for fully vaccinated travellers

Sources: GON, 2021, Prasain, 2021 and Banerjea, 2021, Jha, 2021, Business Standard 2021, GoN Department of Immigration, n.d.

With the main concept of Homestay being “bringing togetherness, socialization, and sharing of culture”, and the pandemic has restricted people from doing just that, the industry has faced immense difficulties due to the pandemic. Due to this, Homestay owners in Nepal have lost their incomes and their livelihoods. They have also lost hope of recovery for at least a few years even after the end of pandemic (The Kathmandu Post, 2020). Due to this, the 389 houses affiliated to the Homestay Industry (GoN, 2020) faced economic challenges due to the pandemic.

## 1.2 Statement of Problem

The tourism sector is a vital asset to the economic circulation of Nepal. From the country's foreign currency reserve to employment opportunities, this sector plays a

huge role. But the standstill situation caused by the pandemic on this industry has put an immense strain on the country's economic condition. Even after the lifting of the lockdowns, the sector is still struggling to recover. As a result of this, along with the overall economic impact put by the pandemic, Nepal in the year 2022 is in a condition where its foreign exchange reserve is running out (Nath, 2022) and its GDP is at an all-time low (ADB, 2022). Hence, it is essential to focus on the recovery of this sector.

Before the pandemic, the Government of Nepal (GoN) had declared the year 2020 as the Visit Nepal Year 2020 campaign (VNY 2020) with the target of hosting 2 million tourists (Gautam, Khatri, 2021). Due to this, the stakeholders of the sector made ambitious plans and investments to maximize economic gain. But due to the pandemic, this campaign was canceled, leaving these stakeholders disappointed. One of the industries within the tourism sector that have faced this disappointment is the Homestay Industry.

The Homestay Industry, being a new but popular business model in the country, is an important accommodation capacity-boosting industry within the Tourism Sector. Along with that, the industry is also seen as a tool for sustainable tourism (Bhakuni, Kumar 2020). With the increasing social inequality, environmental degradation, and economic crisis faced by the world, especially the developing countries, the need for businesses with sustainable models, such as Homestay businesses are increasing.

However, the pandemic and the existing risk caused by it have resulted in significant damage in the industry. It is important to promote recovery strategies for the industry. Though the COVID-19 situation of Nepal, since the month of March 2022 has improved, with less than 100 new cases per day (Google News, n.d), there is still a risk of new variants of the virus emerging, causing further damage. It is essential for the government to provide funds and reliefs to the stakeholders involved in this sector to support and ease the process of recovery.

### **1.3 Research Question**

#### ***1.3.1 General Research Question***

How has the Homestay Industry of Kathmandu Valley, Nepal transitioned from the pre-pandemic phase, to the path of recovery?

#### ***1.3.1 Specific Research Questions***

1. How has the COVID-19 pandemic impacted the economic condition of the Homestay affiliated homes to change over the time frame of 2019 to 2022?
2. What are the response methods that are being used by the Homestays to recover from the economic damage caused by the COVID-19 pandemic?
3. What was the role of the grants and support provided by the Nepal Rastra Bank, targeted towards the Tourism Sector, in the recovery of the Homestays Industry?

### **1.4 Rationale of the Study**

Today, in the 21<sup>st</sup> century, the rapidly expanding globalization and capitalism is leading to extreme climatic conditions, marginalization of vulnerable groups, decreasing of food security, and further increase in inequality, especially in the developing countries (Mair, 2020), putting a great strain on the global economic viability, social inclusivity and environmental protection.

In order to deal with this situation, it is important to promote sustainable business models. Homestays are considered as a tool for sustainable tourism (Bhakuni, Kumar 2020) as it follows a sustainable business model. A sustainable business model is a model where the businesses are able to create economic value, while maintaining, or even regenerating social, economic and environmental capital (Bocken, 2020). Homestay business model focuses on displaying the natural beauty and existing cultural heritage of local communities, rather than relying on huge infrastructures, foreign trends, or heavy machineries.

In the context of Nepal, there has been many research conducted regarding the effect of the COVID-19 pandemic on the Tourism Sector. These researches focus on several

subsections of the Sectors, like for example, research titled “Impact of covid-19 on the tourism sector in Nepal” by Kamal P. Panthhe and Chandrakant. N. Kokate, 2021 focuses on several industries within the tourism sectors, including hotels, restaurants, transportation, employment, trekking, agriculture, and small businesses. From these industries, one industry that has rarely or only very briefly been discussed about is the Homestays Industry.

Despite Homestay being a relatively new industry in Nepal, it had been gaining immense popularity during the years leading to the pandemic (20% growth from 2018 to 2019 alone). The major reasons for this increasing popularity are its sustainable business model, and the fact that the business model allows people from all over the country, regardless of their caste, gender, or physical capability to be self-employed and generate a source of income, helping them to improve their standard of living.

Since the Homestay Industry has also been immensely affected by the COVID-19 pandemic and the lockdowns and travel restrictions brought by it, like the other industries within the Tourism Sector, it is essential to highlight the issues faced by the industry as well. Most Homestays were forced into a stand-still situation, affecting the overall economic condition of the stakeholders involved in the industry, making it essential to highlight the difficulties faced by them.

It is crucial to identify and analyze ways in which these stakeholders can recover from the situation. The role of the government and the national bank is paramount in this. It is crucial to understand the effectiveness of the grants and funds provided by them to help support the economic victims of the industry.

Hence, in order to address this extensive gap, this study is being conducted. This study can also be a basis for further studies on the pandemic and its effects on the tourism sector. The study is being done with the hope of further studies being conducted on the Homestay Industry.

## **1.5 Objective of the Study**

### ***1.5.1 General Objective***

To understand the transition of the Homestay Industry of Kathmandu Valley, Nepal from pre- pandemic, to the path of recovery.

### ***1.5.2 Specific Objectives***

1. To understand the changes brought by the COVID-19 pandemic on the economic condition of the Homestay Industry over the time frame of 2019 to 2022.
2. To understand the response measures that are being used by the Homestays to recover from the economic damage caused by the COVID-19 pandemic.
3. To understand the role of the support and grants provided by the Government of Nepal (GoN), targeted towards the Tourism Sector, in the recovery of the Homestays Industry.

## **1.6 Scope and Limitations of the Study**

### ***1.6.1 Scope***

The scope of the study is as follows:

- The study area of this research is Kathmandu Valley, Nepal. Kathmandu Valley consists of 3 district of the country, Kathmandu district, Bhaktapur district, and Patan district. Additionally, Kathmandu, along with Pokhara and Chitwan is the most popular tourist destination in Nepal and witnesses touristic activities throughout the year.
- The study covers the economic impact of the COVID-19 pandemic on the individual households affiliated to Homestay Industry of Kathmandu Valley, Nepal.
- The study analyzes the recovery measures used by the Private and Community Homestays, to recover from the damage caused by the COVID-19 pandemic.
- The study looks at how the economic support provided by GoN in the years 2020 and 2021, targeted towards the Tourism Sector in the recovery process of Homestay Industry.

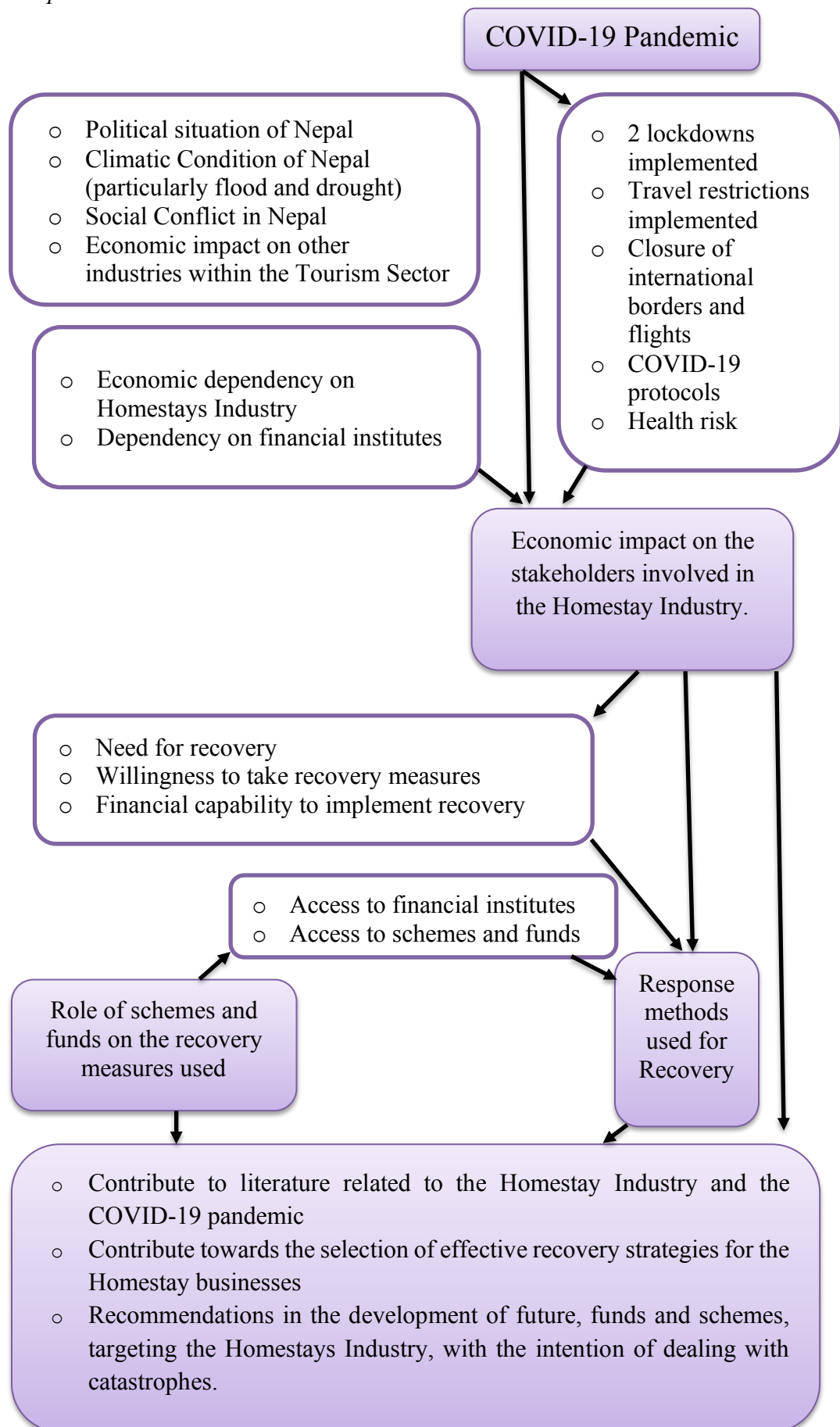
### ***1.6.2 Limitations***

- The study focuses only on the Homestay Industry, a subsection of the Tourism Sector, due to the restriction in time and resources.
- The study focuses only on the economic impact of COVID-19 pandemic on the individual homes affiliated to the Homestay Industry, due to the restriction in time and resources.
- The study area is Kathmandu Valley, consisting of 3 metropolitan cities, and the most developed cities in Nepal. In terms of the Tourism Sector, the valley depends heavily on international tourists. Hence, the results of the research may not be applicable to other geographic locations.
- In terms of financial support provided, the study focuses only on the support provided by the Government of Nepal (GoN), in collaboration with Nepal Rastra Bank (NRB) in the years 2020 and 2021, targeted towards the recovery of the Tourism Sector, due to the lack of time and resources.
- Only 77 households affiliated to Homestays are conducted for this research, from which, 65 are affiliated to Community Homestays and 12 to Private Homestays. Due to the limitation of data collected, only non-parametric tests were conducted for the comparison study between the 2 types of Homestays.
- Financing gap analyses has not been conducted.
- Due to the travel restrictions during the data collection process, majority of the data collection process was conducted via internet.

### **1.7 Conceptual Framework**

The conceptual framework has been developed in order to illustrate the structure in which the research will be conducted. The Homestay Industry is one of the most affected Industries by the COVID-19 pandemic and the travel restrictions brought by it. The study focuses on 3 areas, which are presented in the text body:

**Figure 1.2**  
*Conceptual Framework*



## **CHAPTER 2**

### **LITERATURE REVIEW**

This chapter acts as a guide for the familiarization of the major concepts covered throughout the study. It starts by providing insight on the tourism sector of Nepal. The major incidents that have affected the sector both positively and negatively in the past are then talked about, including the COVID-19 pandemic. It shows trends on how travel restrictions and lockdowns have affected the country.

Further, it talks about the impact of the pandemic on the tourism sector starting from the year 2020, which was initially predicted to be a prosperous year for the sector, considering the VNY 2020 campaign. Instead, the lockdowns and travel restrictions brought by the pandemic created a catastrophic impact on the economy of the sector, including the Homestay Industry.

The chapter gives a clear idea of the Homestay Industry and how the pandemic has affected the stakeholders involved in the sector. Finally, the chapter is concluded by providing knowledge on the support and funds provided by NRB to the stakeholders of the Tourism Sector and the Homestay Industry.

#### **2.1 Tourism Sector**

Tourism is a social, cultural, and economic phenomenon that entails the movement of people to countries or places outside their usual environment for personal or business/professional purposes. These people are called visitors (which may be either tourists or excursionists; residents or non-residents) and tourism has to do with their activities, some of which imply tourism expenditure (United Nations World Tourism Organization, 2008, para. 1).

##### ***2.1.1 International Tourism***

Today, the Tourism Sector is a pillar of social advancement, economic development, and global unification. This sector has been existing since the time humans started to travel, especially for pleasure. With a few people traveling centuries ago, today this sector is one of the leading sectors worldwide.

In 1927, the first International Congress of Tourism Organization was held in The Hague, marking the beginning of the global unification through tourism that we share today. The next congresses were held in Geneva post World War 2 with the target of using tourism as a tool for Global Diplomacy and reconstruction. This union was later named as International Union of Official Travel Organizations, the foundation for United Nations World Tourism Organization (UNWTO).  
(UNWTO, 2021)

In 1951, 25 million international tourists were recorded with the top 5 tourist destinations, namely the USA, Canada, Switzerland, France, and Italy welcoming about 70% of the total international tourists. 20 years after this (1971), the number of international tourists rose drastically to 166 million, however, the share of international tourists in the top 5 tourist destinations decreased to below 50%, proving that more and more countries had started to gain popularity as a touristic destination and welcomed international tourists. Witnessing the potential of this sector, the United Nations declared the year 1967 as “The International Tourism Year” with the slogan “Tourism: A Passport to Peace”. In 1976, the World Tourism Organization was officially established in Madrid.  
(UNWTO, 2021)

In the current times, tourism is an international phenomenon that has the potential to go hand in hand with the Sustainable Development Goals. As this fact is well known worldwide, the sector enjoys political support, goodwill, and wide public recognition. The year 2017 was declared as “International Year of Sustainable Tourism for Development”.  
(UNWTO, 2021)

Despite the economic damage faced by the sector during the pandemic, the sector is all set to recover in full force.

### ***2.1.2 History of Tourism in Nepal***

With “Atithi Devo Bhava” meaning “the guest is God” being one of the oldest sayings, Nepal has a long history of tourist activities. As the legend holds, Kathmandu Valley

used to be a lake, which was made habitable after “Manjushree”, a mythological character, after cutting the Chovar Hill with his sword, releasing the water from the Lake (Shrestha and Shrestha, 2012). Though it has been proved that Kathmandu used to be a lake between approximately 2.8 million years ago (NASA, 2010), the legend is still yet to be confirmed. However, “Manjushree” is said to have travelled to Nepal from either India or China, making him the first tourist to visit Nepal (Shrestha and Shrestha, 2012).

Similarly, other influential visitors have also said to have visited Nepal in historical times, such as Gautam Buddha, the great Indian King Ashok, and so on. The marriage between Nepali Princess Bhrikuti and Tibetan King Srong-sten Gampo in 592 A.D created a special trade relationship between the 2 countries, leading to the building of travel routes between the 2 countries, and influencing tourist activities. (Shrestha and Shrestha, 2012)

Another factor that influenced touristic activities in Nepal, before the unification of Nepal was religious activities. People seeking Buddhist wisdom and people spreading Christianity have said to have visited Nepal (Shrestha and Shrestha, 2012).

After the unification of Nepal, in 1792, a book named “An Account of the Kingdom of Nepal” written by Captain Kirk Patric, who had visited Nepal, helped introduce the country to the outside world (Kafle, 2020). However, after the invasion of the autocratic Rana Rulers (1846–1951), Nepal was totally closed off to foreigners (except some visit from British authorities and the visit of Rana prime minister Jung Bahadur to Britain) (Kafle, 2020; Shrestha 2017; Shrestha and Shrestha, 2012).

After the independence (1951), touristic activities started regaining momentum in Nepal. The incident that is said to have inaugurated tourism in the country however, was the climbing of Mt. Everest (8848 m above sea level) by Tenzing Norgay Sherpa and Sir Edmund Hillary on 29th of May 1953 (Kafle, 2020; Shrestha 2017; Shrestha and Shrestha, 2012).

In 1957, Tourism Development Board, a national association for tourism, was formed and in the following years, Nepal joined international tourism unions such as World

Tourism Organization (WTO), and Pacific Area Travel Association (PATA) (Shrestha and Shrestha, 2012) further strengthening tourism in Nepal.

Another milestone for the tourism sector of the country was the hippie era (1960-1970) where the hippies travelled to Nepal with the intention to intoxicate themselves with drugs such as marijuana and hashish, as these drugs were easily available in the country (Shrestha 2017). However, the trade of these drugs was banned by the government in 1973 (Shrestha 2017).

In the year 1998, Nepal Tourism Board (NTB) was established with the purpose of promoting Nepal as a tourist destination (Shrestha, 2017) through an Act of Parliament (NTB, n.d.). The organization acts as a bridge between the private sector stakeholders within the Tourism Sector and the governmental body of Nepal. It raises funds through the Tourist Service Fee paid by departing foreign passengers at the international airport, Tribhuvan International Airport, Kathmandu (NTB, n.d.).

One of their major activities consisted of hosting Visit Nepal Years 1988, 2011 and 2020 (Travel FrontPage, 2019), though Visit Nepal Year 2020 (VNY 2020) had to be cancelled due to COVID -19 pandemic.

In the year 2019, tourism was one of the largest sectors in the country, with earnings of \$651 million worth foreign currency, and contribution of 4% of the national GDP (UNDP, 2020). Though this sector remains one of the largest sectors of the country, it is one of the most vulnerable sectors to hazards. There have been many incidents in the past that have negatively affected this sector.

### ***2.1.3 Past events that have negatively affected the Tourism Sector of Nepal post-independence***

The past events that have negatively affected the Tourism Sector of Nepal; are the following.

#### **Maoist Insurgency in Nepal (1996-2006)**

Nepal went through a civil war for an entire decade in order to ending the existing practices of nepotism, favoritism, and discrimination in the country. This insurgency

could be seen as the product of frustration amongst the general public caused due to the political system of the country (three decades (1960- 1990) of absolute monarchy and one and half decades (1990- 2006) of multi-party ruling system).

(Upadhyaya, et.al, 2011)

During this time, several violent activities were witnessed by the tourism sector, presented in detail in Appendix A.1. Due to this, Nepal was seen as a war prone destination and an unsafe touristic destination. The change caused by this conflict in the tourism sector is presented in Appendix A.2. In 2006 however, a peace treaty agreement was signed between the Maoist and the Government, marking the end of this era (Shrestha, 2017).

### 7.8 Magnitude Earthquake (April 25th, 2015)

The 7.8 magnitude earthquake and several other aftershocks (4 aftershocks above 6 magnitude) struck in Nepal in the year 2015. It had a serious impact on the tourism industry as it destroyed both natural and manmade resources in the country (Rijal, 2016). The loss and damage caused by the earthquake on the cultural and heritage sites of the country is presented in Appendix A.3.

Furthermore, the effect of the disaster in the hotel, Homestays, eco lodges, trekking trails, tour operators, tourism revenues, air transport revenue and restaurant revenues were as follows:

**Figure 2.1**

*Effect of 2015 Earthquake on the Tourism Sector*

Tourism subsectors	Disaster effected financial losses (USD Million)			Distribution of disaster effects (USD Million)	
	Damages	Losses	Total	Private	Public
Hotels and others	16,295	–	16,295	16,295	–
Home stays	1720	495	1720	1720	–
Eco-lodges	415	–	415	415	–
Trekking trails	426	5711	6137	–	6137
Tour operators	7	4924	6137	–	6137
Tourism revenues	–	47,013	47,013	47,013	–
Air transport revenues	–	4720	4720	4720	–
Restaurant revenues	–	11	11	11	–
Total	18,863 (23%)	62,379 (77%)	81,242	75,105 (92%)	6137 (8%)
Other impacts in tourism					
Damages of over 150 km of trekking trails (Manaslu & Langtang) which accounts for only 15%	20% of touristic heritage sites destroyed	Estimated 35% reduction in tourist arrivals in 2015 than 2014 (pre-earthquake year) Lowering on tourists' spending from Per day USD 43 to USD 35			

(Beirman, et. al, 2018, p.g. 7)

## **COVID-19 Pandemic**

COVID-19 forced the Tourism Sector into a standstill situation. In the year 2020, foreign tourist arrivals dropped by 80% in comparison to the year 2019. With reference to Shrestha, 2021, Kathmandu, Chitwan, and Pokhara are the major cities in Nepal that depend upon foreign tourists heavily, and amongst these 3 cities, Pokhara, followed by Chitwan, and then Kathmandu faced severe economic losses due to travel restrictions and lockdowns placed.

## **2.2 COVID-19 Pandemic**

Nepal, a landlocked and least-developed country has been highly vulnerable to the ongoing pandemic.

### **2.2.1 COVID-19 Pandemic in Nepal**

COVID-19 pandemic is a pandemic caused by coronavirus disease. This disease is a contagious and communicable disease, caused due to the spread of SARS-CoV-2 virus. It can be spread through the infected person's nose and mouth in the form of small liquid particles.

(WHO, n.d)

Pandemic refers to the outbreak and spread of a disease across the world (Robinson, 2020). Starting from Wuhan, China in late 2019, after the declaration of this global pandemic by WHO on the 11<sup>th</sup> of March 2020 (Sharma, et. al, 2021), this global health crisis has caused most countries to take significant measures to prevent its spread, such as lockdowns and travel restrictions, leading to several economic and socio-political issues. COVID-19 is said to be the greatest global challenge faced after World War 2 (UNDP, n.d).

### **2.2.2 Current International COVID-19 pandemic update**

The COVID-19 pandemic was first discovered in Wuhan, China in December 2019 when a series of pneumonia cases were reported in the city. The pneumonia patients were found to have visited seafood and live animal markets in the recent past of the

time when they were suffering from the disease. After further investigation, it was found that the cause of this disease was the Coronavirus, later named as COVID-19. (WHO, 2020)

As of 4 July 2022, there have been 546,357,444 confirmed COVID-19 cases globally with 6,336,415 deaths reported. In terms of vaccinations, as of 2 July 2022, 12,037,259,035 vaccines have been administered globally. The top 5 countries with the highest number of confirmed cases are as follows: United States of America, India, Brazil, France, and Germany simultaneously. (WHO, n.d)

### ***2.2.3 Lockdowns in Nepal***

So far, Nepal has faced 2 lockdowns. Lockdowns are seen as a tool that slows down the spread of the virus and gives time for the authorities to prepare health care systems and services such as quarantine centers, testing kits, medical equipment, and so on (Sharma, et. al, 2021). However, unplanned lockdowns can lead to several issues such as economic and socio-political crises, social disparity, discrimination and violence, poverty, educational loss, and so on. The 2 lockdowns placed in Nepal have been discussed below.

#### **First Lockdown**

The first lockdown in the country was placed from the 24<sup>th</sup> of March 2020 to the 21<sup>st</sup> of July 2020, after the confirmation of just 2 COVID-19 positive cases (Sharma, et. al, 2021). During the lockdown, prohibitions such as the closure of borders, prohibition of non-essential services, and prohibition of domestic and international flights were practiced. With reference to Appendix A.4, it can be seen that the highest number of COVID-19 tests conducted during this lockdown was 7,791 tests, recorded on the 29<sup>th</sup> of June 2020 and the highest number of positive cases found was 740 new cases, recorded on the 3<sup>rd</sup> of July 2020 (Sharma, et.al, 2021). From Appendix A.5, the active cases, recoveries, and total COVID-19 cases during the 1<sup>st</sup> Lockdown can be seen.

#### **Second Lockdown**

The second lockdown was placed in the country from the 29<sup>th</sup> of April 2021 to the 1<sup>st</sup> of September 2021.

At the beginning of 2021, Nepal started to experience lower daily COVID-19 cases. However, in the month of May, cases started rapidly increasing. As can be seen in Appendix A.6. On the 1st of April, 2021, there were only 152 new cases registered, but after the 5th of May, 2021, over 8,000 new cases per day were registered (Reliefweb, 2021). With 45% of the RT-PCR conducted test results coming positive, Nepal was fast approaching the “worst case scenario” (Reliefweb, 2021) disrupting the provision of health facilities and equipment such as oxygen tanks, vaccinations, RT-PCR testing supplies, skilled human resources and so on (Reliefweb, 2021) calling of the need for Lockdown 2.0.

In response to the worsening situation of the country, the (GoN) declared the imposition of localized lockdown (Xinhua, 2022). Along with this, all domestic and international flights were suspended and 21 points of entry in the Nepal-India borders were closed (Reliefweb, 2021).

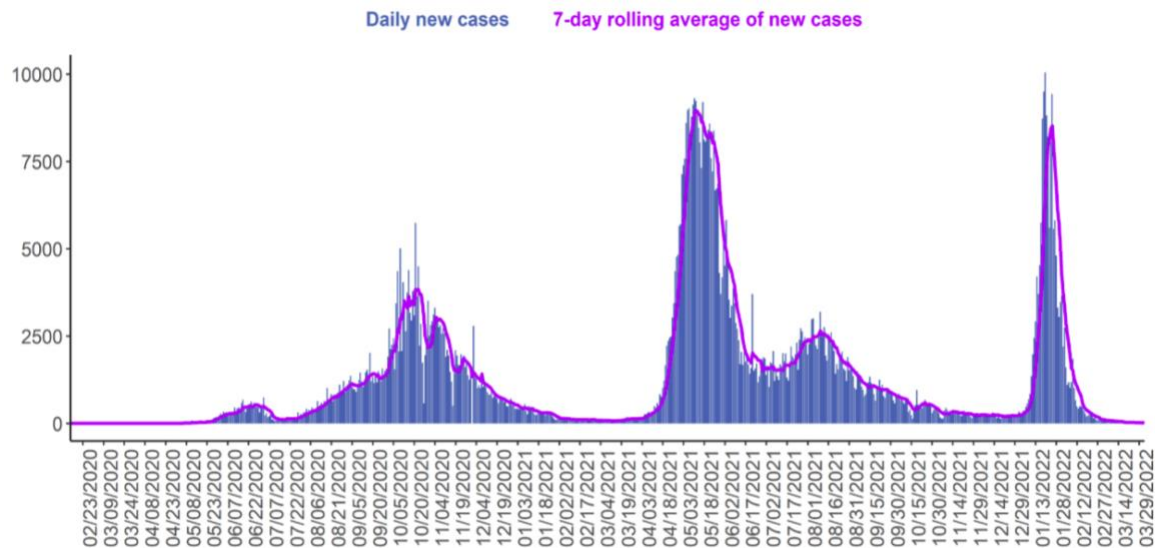
By the end of the lockdown, the number of new COVID-19-positive cases decreased significantly. On the 7th of September 2021, there were 31,248 active cases, 10,838 total deaths and 18.8% case positivity (Reliefweb, 2021).

#### ***2.2.4 Summary of COVID-19 situation in***

From Figure number 2.2, the trend of daily new found COVID-19 cases and a 7-day rolling average of new cases starting from February 23rd 2020 to March 29th 2022 can be seen.

**Figure 2.2**

*COVID-19 daily new cases and a 7-day rolling average of new cases*



(World Bank, 2022, p.g. 2)

From the Figure, it can be seen that initially the COVID-19 cases started rising in the mid of May 2020, which was during the first lockdown. Despite the imposition of a lockdown, the cases were rising. This could be due to various reasons. In the initial phase, COVID-19 tests were not conducted in Nepal, and only a few samples were sent abroad for testing, because of which Nepal could have been unable to identify existing positive cases. The first set of COVID-19-related medical equipment, including testing kits, was imported to Nepal from Guangzhou, China on the 29th of March 2020, but was not used immediately due to the uncertainty regarding its reliability, as decided by the Ministry of Health, Nepal (Sapkota, 2020). Nepal finally started conducting COVID-19 tests in the second week of April 2020, after 3 weeks of lockdown (Awale, 2020).

Another reason for the increase in cases, despite the implication of lockdown, could be due to the ineffective closure of borders. This can be said as many COVID-19 patients were seen to have travelled to Nepal from India (Sharma, et.al, 2021). Ineffective isolation and quarantine systems could have contributed to this as well. As COVID-19 was a newly discovered illness during that time and considering the weak health management system of Nepal, it is possible that due to mismanagement of these systems, there was a large number of local transmissions.

However, towards the end of the first lockdown, a decreasing trend of new COVID-19 cases was seen. This could be due to the increasing awareness of the disease and the preventive measures spread through national, non-governmental, and private networks (Government of Nepal 2021). This could also be the product of movement restrictions caused due to the lockdown.

However, soon after the lifting of the lockdown, an increasing trend of new cases was seen. The trend for new cases reached a peak during the month of October 2020, followed by a decreasing trend. During this time, the cases decreased without an implication of lockdown.

After a decreased pattern of new cases, on the 27th of January, the GoN started distributing vaccinations, as per the National Deployment and Vaccination Plan (NDVP). This plan was aimed to ensure vaccination for the 20% population of the highly vulnerable groups (1.92 million vaccine doses) through COVAX Facility. (WHO, n.d)

In addition to that, the Government of Nepal was also able to secure additional 2.8 million doses of vaccinations including COVISHIELD and SARS-CoV-2 Vaccine (Vero Cell), Inactivated (InCoV) through diplomatic negotiations and direct procurement. Nationwide vaccination distribution began in January 2021. (WHO, n.d)

In the mid of April 2021, many Hindu festivals were celebrated. As there were no travel restrictions placed during that time, domestic travelling and travelling back and forth from foreign countries increased, especially from India (Dahal, et.al, 2021). Soon after, Nepal was on the verge of facing an all-time peak of both new cases and deaths caused due to the virus, causing medical emergencies and a shortage of medical equipment (Reliefweb, 2021).

As a result, Lockdown 2.0 was placed. During the lockdown, Nepal faced an all-time COVID-19 infection rate peak. Unlike the previous peaks, during this time (mid of May), the death rates of the infected people were recorded to reach an all-time peak as well (Sharma, et.al, 2021). Towards the end of Lockdown 2.0 however (1st September

2021), the COVID-19 situation in the country improved drastically, showing the positive effect of the pandemic.

In early 2022, a new variant of COVID-19, the Omicron outbreak was witnessed (The Kathmandu Post, 2022). On the 9th of January, 2022, Nepal recorded over 1,000 new COVID-19 cases after 4 months, and from the 12,632 tests conducted, 9% were infected by the new variant (Awale, 2022). As a result, the Government imposed restrictions on public gatherings, and schools were shut for 3 weeks (Awale, 2022). However, this wave of the pandemic was short-lived and the restrictions were removed in the 2nd half of February 2022 (Poudel, 2022).

### 2.2.5 Recent Condition:

**Table 2.1**

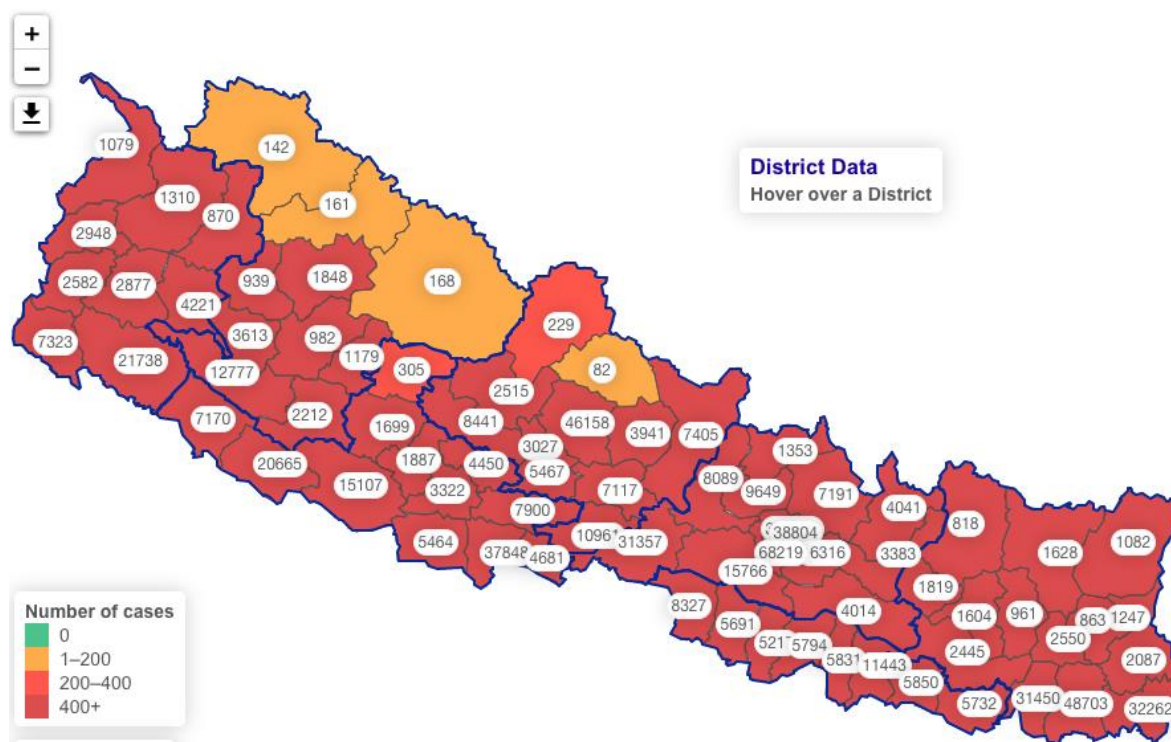
*COVID-19 update of Nepal as of November 19, 2022*

<b>Total Cases</b>	<b>Recovered</b>	<b>Infected</b>	<b>PCR Test</b>	<b>Deaths</b>
1,000,849	988,398	432	5,972,136	12,019

With reference to table 2.1, it can be understood that as of November 19<sup>th</sup>, 2022, from the 5,972,136 PCR tests conducted, 1,000,849 total positive COVID-19 cases have been identified in Nepal. Amongst these cases, 988,398 have recovered, 12,019 have passed away and 432 are active cases.

**Figure 2.3**

*Division of total cases on the basis of district.*

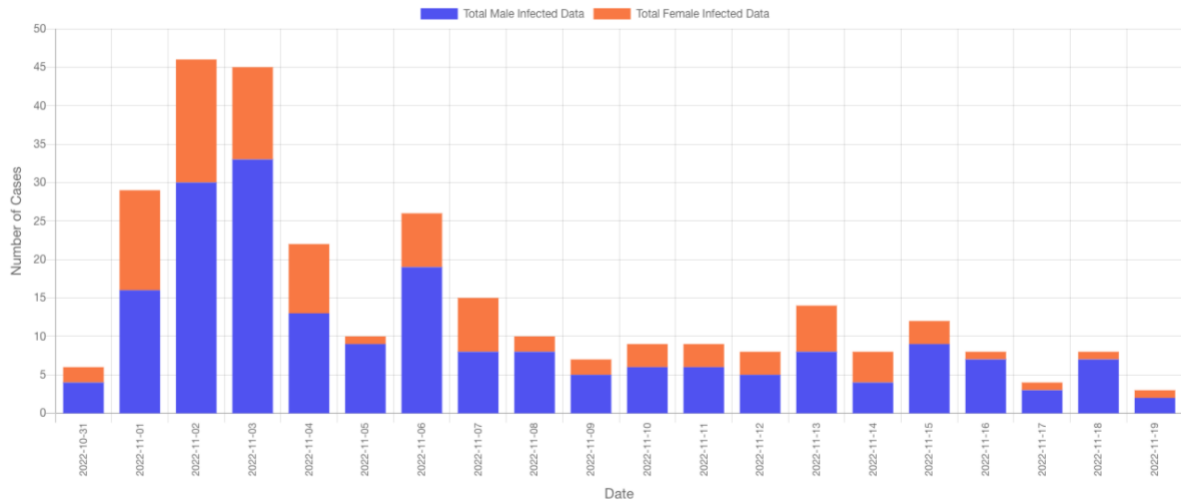


(MOHP Government of Nepal, 2022, p.g. 1)

Figure 2.3 portrays the division of total COVID-19 cases from January 1<sup>st</sup>, 2020 to November 20<sup>th</sup> 2022 on the basis of districts. This shows that the highest number of cases have been in Kathmandu District, with 334,451,190,573 male and 143,878 female cases and the lowest number of cases have been in Manang district with only 82, 39 male and 43 female cases.

**Figure 2.4**

*Number of cases in November 2022 divided by gender*

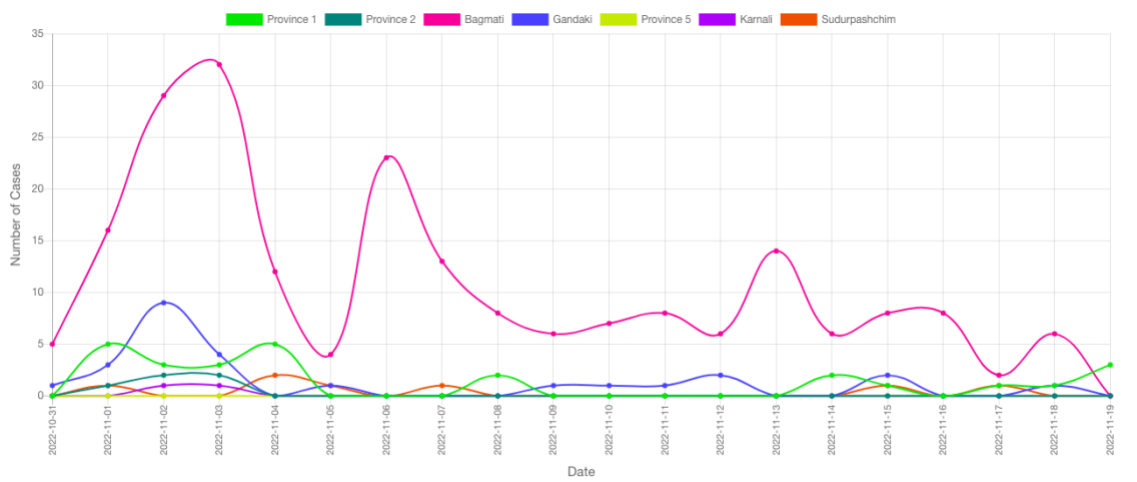


(MOHP Government of Nepal, 2022, p.g. 1)

From Figure 2.4, it can be seen that a larger proportion of male have been infected by the virus in the month of November, 2022.

**Figure 2.5**

*Number of cases on the basis of provinces in November 2022*



(MOHP Government of Nepal, 2022, p.g. 1)

From Figure 2.5, it can be understood that highest number of COVID-19 cases in November of 2022 was found in Bagmati province, where the capital city Kathmandu is located. The lowest number of cases was found in Karnali province.

## 2.3 Economic Impact of COVID-19 pandemic on the Tourism Sector of Nepal

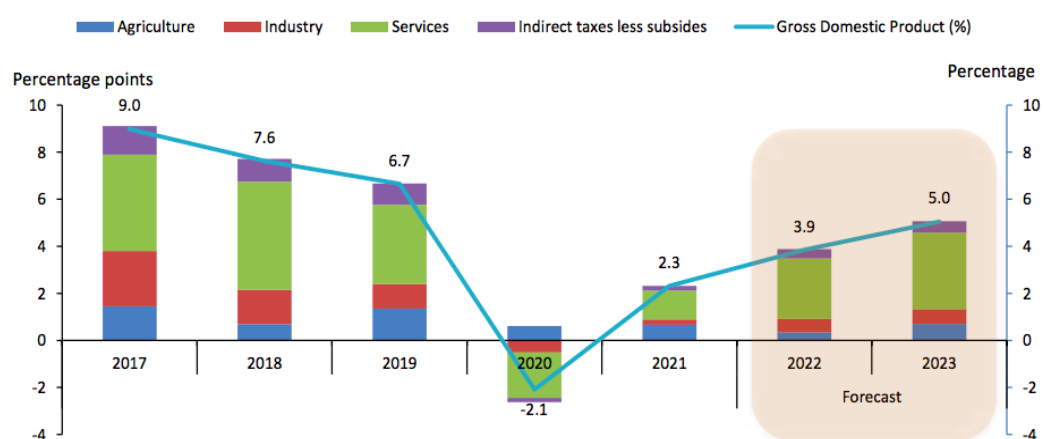
### 2.3.1 Overview

Nepal is a country that has suffered from various incidents affecting its economic condition. From the civil war to the current pandemic, Nepal's economy has seen many ups and downs. However, post these events, Nepal's economic conditions were seen to have improved modestly, with a GDP of 9% in 2017, 7.6% in 2018, and 6.7% in 2019.

With reference to Figure 2.6, in the year 2020, the GDP of Nepal contracted to -2.1%. In the year 2021 however, a slight improvement in the situation can be witnessed. The situation is further expected to improve in the upcoming years, as presented in Figure 2.6.

**Figure 2.6**

*GDP growth of Nepal (2017-2023)*



(ADB, 2022, p.g. 1)

For the fiscal year 2020, GoN had planned to achieve an annual economic growth rate of 8.5%, create about 500,000 new jobs and contain inflation within 6% (UNDP, 2020). One of the major plans prepared by the GoN was the “Visit Nepal Year 2020 (VNY 2020) Campaign” with a target to bring in 2 million tourists into the country (The Kathmandu Post, 2019).

After the declaration of the pandemic, however, GoN, as well as IMF, Asian Development Bank (ADB), and World Bank made a downward revision for the economic condition of the country and were forced to cancel the VNY 2020 program. The original versus revised economic plan made by GoN, ADB, World Bank, and IMF are presented in table 2.2.

**Table 2.2**

*The original versus revised economic plan for Nepal made by GoN, ADB, World Bank and IMF*

Agencies	Initial Plans	Downward Revision
GoN	8.5	2.3
ADB	6.3	5.3
World Bank	6.4	1.5 - 2.8
IMF	6.0	2.5

(UNDP, 2020)

This condition was caused due to the unprecedented implication of the lockdown, forcing the economy of the country into a standstill state (UNDP, 2020). This situation had and is still having a severe effect on the local communities, especially the most vulnerable communities, who were facing economic struggles even before the pandemic. This vulnerable group includes people with disabilities, children and youths,

women, indigenous and socially excluded groups, refugees and displaced communities, and people who are not covered by social protection (Reliefweb, 2021 & UNDP, 2020).

At the request of UNDP, Nepal, Institute for Integrated Studies (IIDS) developed a COVID-19 pandemic in Nepal Rapid Assessment of Socio-Economic Impact on Vulnerable Groups 2020 report where they developed an impact analysis matrix where they analyzed the impact of the COVID-19 pandemic on different economic sectors. The results are presented in the table 2.3.

**Table 2.3**

*Effect of COVID-19 Pandemic on different Economic Sectors*

Economic Sectors	Overall Impact	Types of Shocks	Impact on Economic Output	Impact on Employment	Impact on Foreign Exchange
Food and Accommodation	High	External shocks and Demand shocks	High	High	High
Storage and Transport	High	External shocks and Demand shocks	High	High	High
Entertainment, Recreation, and Arts	High	Demand shocks	High	High	Low
Agriculture – Dairy, Vegetable & Poultry	Medium	Demand shocks and Supply shocks	Medium	Medium	Low
Manufacturing	Medium	Supply shocks	Medium	Medium	Low
Construction	Medium	Supply shocks	Medium	Medium	Low
Wholesale and Retail trade; Repairs of Motor Vehicle and Motorcycles	Medium	Demand shocks and Supply shocks	Medium	Medium	Low (Positive)

(IIDS, 2020)

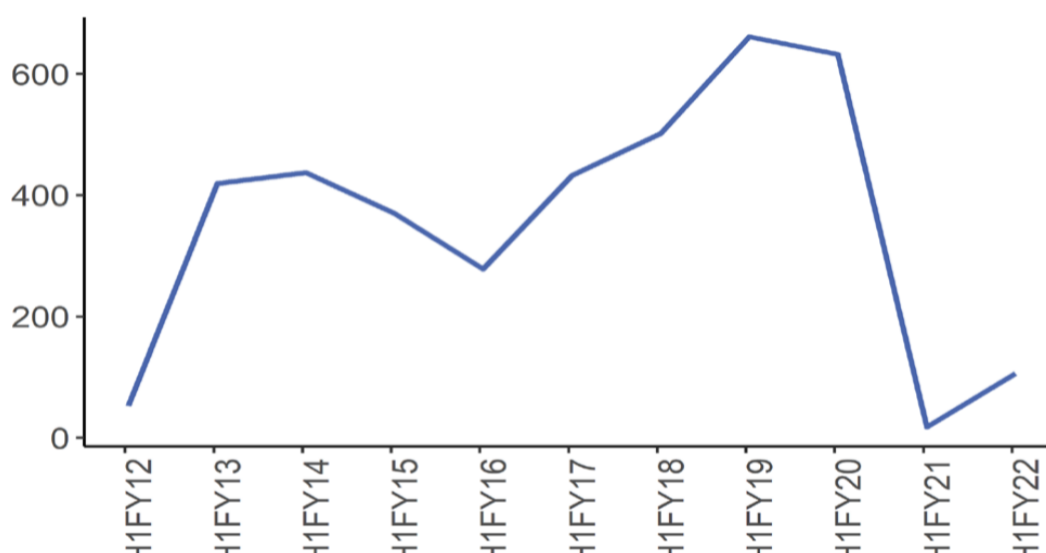
From the table 2.3, it can be seen that the most affected economic sectors are the Food and Accommodation, Storage and Transport and Entertainment, Recreation and Arts sectors. As Food and Accommodation and Storage and Transport Sectors are included in the tourism sector (IIDS, 2020), it can be understood that the tourism sector has faced a high overall impact, impact on economic output, impact on employment, and impact on foreign exchange. It can also be understood that the tourism sector has faced both External and Demand shock due to the pandemic.

### 2.3.2 Tourism Sector

The tourism sector is said to be the backbone of the Nepali Economy (Business Standard, 2022). However, it is also one of the industries that has suffered the most during the pandemic. Due to the struggle of the backbone of the country (in economic terms), the country itself has suffered intensely.

**Figure 2.7**

*Number of Tourist Arrivals in Nepal, in Thousands.*



(World Bank, 2022, p.g. 5)

From Figure 2.7, it can be seen that the number of tourist arrivals saw a steep fall starting from 2020 to 2021. In 2019, Nepal hosted 1,197,191 tourists, which dropped

to 230,085 in 2020 (Shrestha, 2021), a drop of more than 80%. In 2021, from January to November, the country welcomed only 126,000 tourists (Shrestha, 2021) showing a further drop in the number of tourist arrivals. However, in November 2021 the number of tourist arrivals rose to an approximate of 26,487 from 9,898 in September, 2021 (Shrestha, 2021), showing that towards the end of the 2021, the number of tourist arrivals had already started improving. The major reason for the improvement is the ease in restrictions travel restrictions bright towards the end of the year, especially for vaccinated tourists (Shrestha, 2021; Times Of India, 2021).

In the year 2022 (January to March), Nepal has already welcomed 78,747 tourists (Business Standard 2022) with 42,006 international tourists only in the month of March, 2.8 times more than the tourist arrivals in March of 2021 (The Kathmandu Post, 2022) indicating the gradual resuming of the tour tourism sector in the country. This is the result of the dropping of active COVID-19 to less than 700 in the country (Business Standard 2022) and the easing of travel rules (Himalayan News Service, 2022).

However, the Tourism Sector has already faced a devastating downfall due to the pandemic and will require much effort by all stakeholders and time for a complete recovery. NTB estimated a loss of 85.2 billion US dollars from the tourism sector alone and the loss of 3 out of every 5 jobs in the tourism sector (Panthhe and Kokate, 2020). In March 2020 alone, the tourist arrival rate declined by 73.26% (Khadka, et. Al, 2020).

As GoN had declared the year 2020 as Visit Nepal Year, many stakeholders of the tourism sector of the country had made extravagant plans and investments in response to it (Gautam, 2019). However, due to the pandemic, this governmental plan had to be cancelled. With the cancellation of the plan, the stakeholders of the sector suffered heavily.

## **2.4 Cancelation of VNY 2020**

In 1958, the first Visit Nepal Year was hosted by Nepal under NTB. This event was successful to bring in 450,000 foreign tourists into the country, providing an intense boost to the country's economy. After the success of this event, in 2011, Nepal celebrated Visit Nepal Year once again bringing in 736,000 foreign tourists (World

Bank, n.d). Witnessing these success stories, GoN in collaboration with NTB developed an ambitious plan, VNY 2020 with the aim to host 2 million foreign tourists. Some of VNY 2020's strategic plans included the inauguration of Gautam Buddha Airport, conducting a musical concert at the highest altitude so far, conducting the Nepal Tourism Investment Summit, and so on.  
(Gautam, Khatri, 2021)

In 2019, Nepal hosted 1,197,000 foreign tourists (World Bank, n.d) so in 2020, the plan was to bring in 803,000 more tourists compared to 2019. With that intention, preparations for the plan were being conducted, and when the planning was at the climax, the COVID-19 pandemic hit the world. As a result, the GoN announced an official cancellation of VNY 2020 on March 22, 2020, during the meeting of the Council of Ministers (Nepali Sansar, 2020).

As a result of this, the tourism sector faced an all-time low during the years 2020 and 2021, making the pandemic the worst nightmare for the sector. Stakeholders involved in this sector had to face issues such as salary cuts, booking cancellations, demand for refunds, piling up of interest on loans, and so on (Gautam, Khatri, 2021).  
Minor industries like homestays suffered the most due to this, pushing them to the verge of collapse (Gautam, Khatri, 2021).

## **2.5 Homestay Industry**

Homestay, as the name suggests, is an accommodation service where tourists and travelers are accommodated at the homes of local people of the locations that they are travelling to. These travelers are provided services by the host family, as well as the community of the specific area. In exchange for the service received, these tourists and travelers pay them a specified amount, which is usually much lower and reasonable, in comparison to commercial accommodation services like hotels and resorts.  
(Hossain 2018)

Additionally, from the perspective of the travelers, by opting for this accommodation option, they receive an opportunity to enjoy accommodation service, alongside

experiencing local and authentic experiences, for a reasonable amount. Most Homestays are run entirely by the Homestays owner. They are able to enjoy employment opportunities and income-generating opportunities, without large initial investments and without significant education or experience. Homestay provides a win-win situation in which all the Homestay stakeholders benefit.

Homestays have existed in the Nepali society for a very long time, but it was officially legalized in 2010 through the Homestay Working Procedure, 2067 Act, developed with the intention of providing an opportunity for Nepali citizens, especially of the most vulnerable groups to be self-employed and be able to benefit economically from the Tourism Sector, one of the most prosperous Sectors of the country (GoN, 2010).

### **2.5.1 Homestay in foreign Countries compared to Homestays in Nepal**

Homestays in most countries follow a different business structure compared to that of Nepal. For example, in countries like Australia, Canada, Japan and Germany, Homestays are seen as an accommodation service used when visitors such as volunteers, intern students travel to foreign countries, especially with the intention of learning about the country's culture and lifestyle, while improving their language skills, rather than a commercial business (Australia Homestay Network, 2022) (Quality Homestay, n.d) (Schäferhoff, 2022) (Bhagan, 2018).

However, in other countries, the business model followed by Homestays is similar to that of Nepal. For example, in India, some Homestays target tourists and provide hospitality at almost equal level to that of Hotels (Cook, 2019). In Vietnam, like Nepal, there are official rules that are required to be followed by registered Homestays like the maintenance of certain levels of hygiene and service provided (Schoonderwoerd, 2019).

### **2.5.2 History of the Homestay Industry of Nepal**

The concept of staying at other people's houses while traveling has been present in many Nepalese stories, poems, and songs, since historic times. Some of these stories are "Dhunga Ko Khanekura" written by Yash Pradhan and "Muna Madan" written by Laxmi Prasad Devkota, (Phalaicha Stories, 2020; Anurag Creation, 2020). As songs, stories and poems are written on the basis of experiences, reflecting the culture and

society of the writer, this indicates that the concept of Homestay has been present in the Nepalese culture for a long time as well.

The concept of Homestays was officially recognized in 2010. Before that, people used to take refuge at strangers' houses while traveling, and the host families used to welcome these travelers out of empathy, rather than for economic benefit (Phalaicha Stories, 2020; Anurag Creation, 2020).

The Homestay concept as a business model was first introduced by the GoN in 1997, and was officially introduced on the 17th of August, 2010 through “Homestay Working Procedure, 2067” (Lama, 2013).

### ***2.5.3 Homestay Working Procedure, 2067***

The GoN had declared 2011 as Nepal Tourism Year with the target of hosting 1 million tourists. However, during that time, Nepal did not have enough accommodation services to provide accommodation for the targeted number of tourists. Back then, Nepal only had 669 hotels (including all categories) with only a total of 26,063 beds. As a result, in order to accommodate the targeted number of tourists, the GoN encouraged the concept of Homestays, by officializing it with the “Homestay Working Procedure, 2067” Act. Post this initiative, the Homestay industry came into the limelight, and the local people living in different touristic areas started investing in this business model.

(Royalmt, 2012; Lama, 2013)

The Homestay Working Procedure, 2067 Act was first implemented in 2010. The main intention of the act was to involve people from all across the country, including people residing in both urban and rural areas in the Tourism Sector. Since the sector was already established as a major income-generating sector of the country, the government intended to involve more people in the sector, promoting income generation for them as well. The act also aimed to conserve and pass on the cultural heritage of the country, while providing affordable accommodation services for travelers.

The factors specified in the act, with reference to the act itself (GoN, 2010) are as follows:

a) Categorizing the industry into Community and Private Homestays:

A Community Homestay, also known as Communal Village Homestay is a Homestay concept in which a minimum of 5 houses in a particular locality come together to operate Homestay operations in a group. On the other hand, Private Homestay, also sometimes called Urban Homestays, is a concept in which a single Homestay operates the overall business activities. This model is more popular in urban areas.

(Adhikari, 2020)

Private Homestays are permitted to accommodate only 4 guests per day, with the intention to avoid increasing competition with other accommodation industries of the country like the Hotel Industry (Lama, 2013).

Homestays usually conduct a series of activities as service provided for their customers. Some of the activities are as follows:

- Organization of cultural programs that reflect the culture of the local community. These programs include activities such as local dances, plays, sports and so on.
- Welcome the guests and give farewell to the guests using traditional local practices like applying tika, providing garlands, providing food and drinks that are considered holy and so on.
- Organizing village or city tours, including activities such as hiking and trekking.
- Involve the tourists in local activities such as festivals, exhibitions, handicraft making and so on.
- Organize tours in areas rich in cultural heritage such as temples, museums and so on.
- Other activities such as bird watching, cooking of local cuisines, and so on.

(Adhikari, 2020)

In Community Homestays, these activities are conducted in a group along with other partnered Homestays. On the other hand, in Private Homestays, these activities are conducted by the Homestay owner with the help of his employees.

As Homestays usually do not have many rooms available, tourists who come in big groups prefer to stay in Community Homestays as the entire group are able to

experience different activities together, unlike Private Homestays where only a few people are able to experience these activities together.

Hence, we can understand that Community Homestays are targeted toward larger groups, whereas Private Homestays are targeted towards smaller groups.

The Government organizations that monitor the Homestay Industry include District Development Committees (DDCs), Village Development Communities (VDCs) and local stakeholders such as Women's Group, community level Non-Governmental Organizations (NGOs), Community Forest Groups, coordinated by NTB (Lama, 2013).

b) Specified activities that could be provided by the Homestays:

The activities specified were as follows:

- Welcome program: Guests should be welcomed with flower garland. Traditional dances and musical programs can also be performed.
- Cultural activities: Cultural activity showing programs should be conducted in public spaces of the community such as community halls, parks or open spaces.
- Sightseeing: The program must include at least one sightseeing program. These programs can be conducted in nearby temples, museums, local arts and craft areas, jungles and so on.
- Showing local economic activities: The program must include the showing of local economic activities such as agricultural activities, handicraft production, homemade product production and so on.
- Showing of local lifestyle: The guests must be able to experience the local lifestyle of the host families.
- Farewell: Guests should be sent with flower garland, and if possible, a farewell gift. Traditional dances and musical programs can also be performed.

c) Quality control criteria are specified:

A very descriptive minimum quality criteria are specified, some of which are:

- Minimum 1 and maximum 4 spare rooms should be available for the guests.
- The room should be well lit. Electricity is not necessary to be provided. If there is no electricity, the availability of other products such as candles or lamps should be provided.

- Bathroom must be available and it should be clean. The shower area must have a bucket, mug, towel and soap.
- The house must be accessible. There should be a road connecting the house to the main road.

d) Registration process of Homestays:

i. Homestay must be registered in the Industrial Department under the Tourism Ministry. The following documents are required while filing the registration.

- Ticket costing Rs. 5
- In case of Community Homestay, agreement document of the group of Homestay owners stating that they want to run the Homestays jointly. This must be approved by the local municipality.
- Photocopy of house ownership papers.
- Photocopy of house design approval paper.
- Photocopy of citizenships of the house owners.

ii. After the registration, a survey is conducted by the authorities, including NTB and local health department to see if all the criteria are met and if all the documents are appropriate. If all the criteria are fulfilled, an approval certificate is provided by the local government and if not, a specified time period of time is provided to them to fulfil the criteria and a survey will once again be conducted.

iii. In terms of Community Homestay, once the approval letter is provided, a Homestay Committee needs to be conducted of 5-6 members including an in charge or manager, assistant manager, treasurer, member, and secretary member. This committee will be in charge of conducting the overall activities.

iv. In terms of Private Homestays, after the approval letter is provided, they can start their business activities.

e) Health and Safety criteria are provided.

Some of these criteria are as follows:

- The house should be protected from dangerous pesticides.
- No open drainage.
- First aid facilities must be available.
- Proper toilets must be available.

- f) Sample of notices and Homestay approval certificate is provided. It is included in the appendix.
- g) Code of Conduct for visitors is provided. It is included in the appendix.

#### ***2.5.4 Current situation of the Homestay Industry***

With reference to Nepal Tourism Statistics 2019 (GoN, 2020), there were 310 Community and 79 Private Homestays in Nepal, in 2019. Affiliation in this context refers to the homes that host guests, as part of a Homestay service. Since these homes are owned and used by the host families personally, while also offering it to travelers who wish to stay with them, the word affiliated is used. The homes are not built specifically for the use of tourists specifically, though some major or minor parts of the homes could be built for business purposes.

The capacity of Homestays in Nepal in the years 2017, 2018, and 2019 are as presented in Table 2.4.

**Table 2.4**

*Capacity of Homestay in Nepal during the years 2017, 2018, and 2019*

2017	No. of Affiliated Houses	Community	218	Total 283
		Private	65	
	No. of Rooms	Community	354	Total 554
		Private	200	
	No. of Beds	Community	650	Total 948
		Private	298	
2018	No. of Affiliated Houses	Community	245	Total 324
		Private	79	
	No. of Rooms	Community	376	Total 597

	No. of Beds	Private	221	Total 1006
		Community	628	
		Private	378	
2019	No. of Affiliated Houses	Community	310	Total 389
		Private	79	
	No. of Rooms	Community	438	Total 663
		Private	225	
	No. of Beds	Community	742	Total 1088
		Private	346	

(GoN, 2020)

From the Table 2.4, an increasing pattern in the accommodation capacity of the Homestay Industry of Nepal can be seen. This indicates the increasing demand for this service.

In 2019, there were a total of 1088 beds available, meaning that Homestays alone could accommodate approximately 1088 tourists. In the previous year (2018), there were 1006 beds available, with the capacity to accommodating approximately 1006 tourists. From this, a growth of 8.15% can be seen.

From the total Homestays present in the country, the district with the largest number of Homestays was Kathmandu District in the year 2019 (GoN, 2020).

The accommodation capacity of Kathmandu District alongside the total Homestays of Nepal is presented in Table 2.5.

**Table 2.5**

*The percentage of accommodation capacity through Homestays in Kathmandu District.*

Years	Kathmandu district				Growth %	% Compared to Nepal's total Homestays
2017	No. of Affiliated Houses	Community	63	Total 112	30.2%	39.6%
		Private	49			
	No. of Rooms	Community	99	Total 249	28.3%	44.9%
		Private	150			
	No. of Beds	Community	214	Total 420	21.3%	44.3%
		Private	206			
2018	No. of Affiliated Houses	Community	63	Total 112	0%	34.56%
		Private	49			
	No. of Rooms	Community	99	Total 245	-1.6%	41%
		Private	146			
	No. of Beds	Community	176	Total 414	-1.4%	41.2%
		Private	238			
2019	No. of Affiliated Houses	Community	84	Total 133	18.7%	34.19%
		Private	49			
	No. of Rooms	Community	110	Total 260	6.1%	39.21%
		Private	150			
	No. of Beds	Community	188	Total	-4.8%	36.21%

		Private	209	394		
--	--	---------	-----	-----	--	--

(GoN, 2019 & GoN, 2020)

From the data presented, the growth rate of the Homestays in Kathmandu, and the percentage of the Homestays capacity in Kathmandu can be seen.

Firstly, with regards to the growth rate, it can be seen that in the year 2017, the Homestay Industry of Kathmandu witnessed a massive increase in its capacity. However, in the year 2018, the situation was different with the slight decreasing capacity, which could have occurred due to the various reasons, such as the increase in competition due to the increase in capacity provided through Hotel Industry, and the difficulty in maintaining the recently started Homestays.

Speaking about the capacity provided through the Hotel Industry, in the year 2018, compared to the year 2017, the number of hotels increased by 13.9% in Nepal (GoN, 2019). This could have put strain on the Homestay Industry due to increase in competition, forcing them out of business. In terms of difficulty in maintaining the recently started Homestays, many businesses fail in their first year due to various reasons such as financing issues, market targeting issues, marketing issues and planning issues (Deane, 2022). In the year 2019 on the other hand, the capacity of the Homestay Industry in Nepal saw a slight increase.

Furthermore, with regards to the percentage of Homestays capacity in Kathmandu, about 40% of the total accommodation capacity of Nepal lies in Kathmandu District. However, the accommodation capacity percentage of Kathmandu's Homestays amongst the Homestays in Nepal as a whole slightly decreased. This could be due to 2 reasons: firstly, the slow and unstable growth of the Homestay Industry, and secondly the increase in Homestay capacities in other parts of the country (GoN, 2020). However, regardless of this, the capacity of Homestays in Kathmandu is significantly higher compared to other districts.

### ***2.5.5 Homestay as a tool for Sustainable Tourism***

Sustainable Development is a development goal that aims for long-term and stable development, which can be achieved only by acknowledging and integrating social, economic and environmental considerations into decision making (Emas, 2015). Sustainable development has 3 pillars: Environmental protection, Social equity and Economic viability.

In terms of Sustainable Tourism, firstly it is necessary to acknowledge the fact that tourism is a fast-growing industry, which acts as an important source of foreign currency and employment especially in the developing countries. Tourism has a close linkage to the economic, social and environmental condition of these countries. Hence it is important to integrate the concept of sustainable development into this sector.

The World Tourism Organisation defines sustainable tourism as “tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities” (United Nations, n.d, para. 2). The concept of Sustainable Tourism lies under The Sustainable Development Goal number 8: Decent Work and Economic Growth.

#### **2.5.5.1 Homestay and the 3 pillars of Sustainable Development**

As discussed earlier, the Homestay Industry provides guests with a unique opportunity to immerse into the culture and society of the host families. Considering the rich cultural heritage of Nepal, with more than 123 languages spoken and more than 125 ethnic practices performed (GoN, n.d), the Homestay industry has gradually gained popularity in the country, despite it being a fairly new industry.

The industry had witnessed a growth rate of 14.48% from 2017 to 2018 and about 20% from 2018 to 2019 in terms of the number of homestays in the country.

The Homestay industry can contribute to Environmental protection, Social equity and Economic viability are discussed below.

**a) Homestay Industry and Environmental Protection:**

Nepal is a country with vulnerable landforms (GoN, n.d) and human resources (UNCDP, 2018) that can be easily misused and damaged (The Borgen Project, 2020). The mismanagement and weakly governed Tourism Sector of the country have led to many environmental hazards in the past. Due to this, it was necessary for the government to promote business models that can generate income while cooperating with the environment, rather than working against it.

The business model that works well with this theory is the Homestay model, where business operations are conducted without the construction of large infrastructure, while producing minimum food waste.

As Homestays are known for serving food and beverages that are usually eaten in the homes of the host family and are prepared, eaten, and discarded in the same way as how these families usually do as well, this accommodation service tends to produce lesser food waste compared to other accommodation services. This is also possible as the number of guests hosted by the stakeholders of the industry is much lesser compared to other accommodation services in the country. In addition to that, it can also be assumed that as guests live in the homes of the host families, they tend to feel more attached to the family and the cuisine that they prepare, making it difficult for them to waste the food provided to them with love and affection.

On the other hand, as Homestays handle a limited number of guests, they may not have a proper waste management system developed. As these businesses are of small scale, the government and the authorities may not pay attention to their waste management system, compared to that of larger scale businesses. This could lead to environmental degradation to a certain extent.

Out of 1.2 million tourists that visited Nepal in the year 2018, many of them had visited in order to explore the natural beauty of the country while engaging in activities such as trekking and hiking (The Borgen Project, 2020). Homestays, especially Community Homestays, are usually located in areas where there is a scope for conducting such activities, giving them an edge over other accommodation services. However, many

times, tourists tend to pollute the areas where they go to visit, especially during activities such as hiking and trekking. As Homestays accommodate only limited guests, they may be able to control the actions of their guests.

Hence though it is possible to use Homestays as a tool to promote Environmental Protection, Homestays have the potential to create an adverse effect, if not managed effectively.

#### b) Homestay Industry and Social Equality

Homestay Industry, despite being a part of the accommodation industry, the services it provides are unique compared to other accommodation services. It provides an opportunity to not just live with the host family, but to be a part, of the host's family, experience their day-to-day activities, eat and learn to recreate the unique cuisines provided by them, to connect with the host family and their community in one-on-one basis and receive the satisfaction of being able to contribute to their economic condition (Bhandari, 2022).

While providing these services to the guests, host families are able to experience and enjoy their own cultural heritage with their guests, and with their own family members as well, including their children. By doing so, they are able to expose their cultural heritage to the outside world, and also be able to pass it on to their future generation.

In terms of social equality, it is known that Nepal is a country with a high social disparity, with the income of the richest 10% of the population being more than 3 times compared to that of the poorest 40% of the population (Oxfam, 2019). One of the major reasons for this is unemployment. In 2021, the unemployment rate of the country was 5.1%, a rise of 2% since 2019 (World Bank, 2022). Apart from that, 68% of the employed population depends upon agriculture for employment (USAID, 2019).

The Homestay Industry provides an opportunity for the unemployed people and other people with a low-income level to be self-employed, with work that does not consume much time or effort, and that requires a low investment cost.

As mentioned earlier, one of the major intentions of the GoN was to encourage self-employment and income generation by promoting this industry. They intended to involve vulnerable groups such as women, indigenous groups and marginalized communities in the prosperous Tourism Sector, which has continued to show high economic growth in the country. Through this involvement, the living standards of these people have the potential to improve, empowering them and making them independent.

However, saying that, with reference to the “Homestay Working Procedure, 2067” Act, in order to register Homestays, it is essential to fulfil very detailed minimum standards and hygiene factors, which may not be able to be provided by people from marginalized communities, especially those who are already living under poverty. Compared to other accommodation industries, Homestays require a much lesser investment amount, but even so, this investment may not be able to be made by the people who need employment the most. Hence, this could further increase the social disparity.

Concerning the research conducted by Dr. Ram Chandra Bhandari, Dr. Laxman Thapa, and Mr. Amrit Thapa on the Socio-Economic and Cultural Impacts of Homestay Tourism in Sirubari Village Syanja Nepal, 2022, it was found that the Homestay Industry does not only benefit the economic condition of the involved families but also provides other social spillover benefits such as social bonding, public awareness, education, and health.

Concerning the study conducted by IIDS, in 2020, in the Tourism Sector of Nepal, the Homestay Industry is the only industry that consists of more female employees compared to male employees (57.3% female employees).

#### c) Homestay Industry and Economic Viability

People usually assume that the business model that addresses environmental and social issues is not profitable, nor sustainable. However, the growth of the Homestay Industry is proving this belief to be wrong. The Ecotourism sector of Nepal has been contributing to about 4% of the country’s GDP and has been employing about 200,000 people in the country (The Borgen Project, 2020).

The Homestay Industry encourages the microeconomic sector, especially in the rural areas providing self-employment and income-generating opportunities to diverse communities in the country (Lama, 2013), contributing to the reduction of rural poverty (Thakuri, 2016).

At the macro level, Homestay Industry contributes to many aspects of the country's economy, such as contribution towards bringing in foreign currency into the country, provision of employment and income generation, increasing tax collection of the country, reduction in unemployment and poverty level of the country. This gives rise to higher literacy rates and better health conditions in the country. This also contributes towards the growth of other markets in the country, increasing demand for products such as agricultural crops, livestock and dairy products, sports gears, and so on. (Budhathoki, 2013; Thakuri, 2016)

In 1999, during the establishment of NTB, a branch of this organization was formed in order to look after the Sustainability factor in the development of the tourism sector, named Sustainable Tourism Network (STN). Despite this, a clear policy guideline that could guide Nepal's Tourism Sector into Sustainable Tourism has not yet been developed. (Lama, 2013)

Regardless of this, even though there hasn't been any direct policy regarding Sustainable Tourism in the country, there are policies that include the concept of sustainable Tourism, such as "Tourism Vision 2020 Nepal" and "Homestay Working Procedure, 2067."

## **2.6 Effect of COVID-19 Pandemic on Homestay Industry**

Tourism is a major source of foreign currency and a sector that has proven to be the backbone for the economic development of many countries. Nepal is one of the countries that relies heavily, and has benefited immensely from this sector, particularly for the last 4-5 years prior to the declaration of the pandemic. However, after the declaration of the pandemic due to the spread of COVID-19, Tourism is one of the sectors that has been affected the most. The Ministry of Culture, Tourism and Civil Aviation (MoCTCA) and NTB had estimated a total loss of 400-500 million USD in

just the first 5 months of the declaration of the pandemic (March of 2020 to July of 2020). Homestay Industry being a prominent sub-section of the Tourism Sector has been tremendously affected by the pandemic as well.

(GoN, 2020; Kanel, 2020)

Homestay stakeholders in the country have experienced unpredicted and unprotected economic losses since the beginning of the pandemic. This has not just affected these people in economic terms, but have also affected their mental health and their overall standard of living. With reference to Homestay owner, Homestays in her community had been totally out of business due to the lockdowns (The Kathmandu Post, 2020). Due to the VNY 2020 plan of the government, Homestay owners all over the country were expecting a maximization of profit during the year 2020. The Community Homestays of Namje village were expecting to host about 400-500 guests per month during the season time in Nepal (March to May), but the situation was completely opposite from their expectations (Shrestha, 2020).

Another similar case was faced by the Homestays around Ayodhyapuri Bufferzone situated near the Chitwan National Park, Nepal. In excitement of VNY 2020, the Homestays prepared themselves to welcome guests by investing in the decor of their Homestays, with the hope of a prosperous year. But the only thing the newly decorated and painted Homestays saw was dust and rust due to lack of maintenance. “Groups of greeters, who would typically line the entrance when guests arrive, have had no one to welcome. Cultural performers, who would once educate tourists about local cultures through song and dance, have lost an audience. Beds, formerly reserved at maximum capacity, have remained empty” (WWF, n.d, para. 3).

(WWF, n.d)

Such disheartenment is being experienced by stakeholders involved in the Homestay Industry all over Nepal (WWF, n.d) (Kanel, 2020 & Shrestha, 2020).

#### ***2.6.1 Effect of Homestays in Foreign Countries with similar Homestays business model as Nepal***

Similar to the case of Nepal, the Homestays in India were severely affected by the pandemic as well. However, unlike the Homestays in Nepal, some Homestays in India

started their business activities right after the lifting of lockdowns, which was possible due to their quick adaptation to the “new normal” practices introduced by the pandemic. For example, Homestay located in the Salawas village of Jodhpur started welcoming guests from the end of June, 2020, which was right after the ending of Lockdown phase 4 (May 31) of India. The strategy used by this Homestay to prevent the spread of the virus and to make their guests feel safe during the difficult times was the building of separate entrances at his Homestay for the guests staying in different rooms, which helped avoid physical contact with the host family. This was an expensive, yet effective measure.

(Kaushik, 2020)

The Homestay Industry of Vietnam faced similar challenges due to the pandemic in the years 2020 and 2021 as well. A Homestay owner of a Homestays situated in Quảng Ninh Province, Bãi Cháy ward, claimed that despite providing various schemes and discounts, she received almost no customers during this time, causing her income through the business to decline by 90% (Thắng, 2021).

This shows that despite taking measures to adapt to the situation caused by the pandemic, it is not necessary for the measures to be effective.

## **2.7 Financial Support provided by the Government of Nepal**

### ***2.7.1 Support needed***

With reference to the study conducted by NTB in 2020, investment of about NRS. 115.38 billion were detained idle, along with outstanding loans of about NRS. 54.73 billion due in the Tourism Sector, amongst the 1125 hotels, 3508 travel agencies, 2649 trekking agencies, 77 transport service companies, 73 rafting agencies, and 324 Homestays across Nepal in the year 2020 (Magar, 2020). Due to this, it was clear that the sector had suffered significantly due to the pandemic, and was in a desperate need for financial support from the government.

To ensure the sustainability of the sector, NTB suggested the government to provide a financial support of at least 3 years (Magar, 2020). They requested for 2 types of

support, first one to control the fixed cost and the second to ensure cash refinancing. In the year 2020, there were 300,000 employees directly employed in the sector, from which 42% were sent on unpaid leave, 37% faced full or partial reduction in salary, and 19% were permanently terminated by companies (Magar, 2020), as a source of temporary and permanent cost cutting strategy. Hence, the board requested for a refinancing of NRS. 20 billion for job retention alone (Magar, 2020).

They also insisted that the only source of economic sustainability of the sector would be through domestic tourism. Hence, they requested the Ministry of Culture, Tourism and Civil Aviation, Nepal to implement a travel leave for government workers, aiming to promote domestic tourism (Magar, 2020).

### ***2.7.2 Support provided***

In order to protect this sector and industry, and the stakeholders involved, it was necessary for the government to provide them with support and relief. As after the declaration of the pandemic, monetary policy has been released twice, first for the years 2020-2021 and second for the years 2021-2022. The support and reliefs provided in these years are looked upon separately below.

#### **2020-2021**

Support and relief provided:

1. The NRB provided relief funds to the businesses affected by the COVID-19 pandemic through BFIS (Banks, Finance, Insurance and Security) with the interest rate of 5% (Nepal Rastra Bank, 2020). This was done with the intention of providing a source of funds for the firms, to continue paying their employees and workers, even during the pandemic. As Tourism and Homestays are one of the businesses most affected by the pandemic, they were eligible for this policy. By taking out loans at this newly revised interest rate, it was possible for Homestays to continue paying their employees and workers, if chosen to do so.
2. The companies, especially under the Tourism Sector were asked to pay the salaries of their employees, which could be done by using the social welfare fund, until businesses returned to normal (Nepal Rastra Bank, 2020). Through this policy, the government ensured that the non-business owning workers of

the Homestay Industry would be provided salary for at least March and April of 2020.

3. Out of the 100% of the loans provided by the banks, they need to provide 40% of the loans to the priority sectors by 2024 (Nepal Rastra Bank, 2020). The priority sectors include the Tourism Sector, along with MSMEs, agricultural sector and energy sector (Nepal Rastra Bank, 2020). Through this policy, the stakeholders of the Homestay will have more opportunities to receive loans from the banks.

## **2021-2022**

1. Under the business continuity loan program, for businesses affected by the pandemic, having trouble repaying the loans taken prior to the pandemic, were provided with an extended loan payment time. For the businesses that were relatively less affected by the pandemic, the loan repayment time was extended by 6 months, for the businesses that were moderately affected by the pandemic, the loan repayment time was extended by 9 months, and for the businesses that were highly affected by the pandemic, the loan repayment time was extended by 2 years. The accumulated interest however was required to be paid after the extended time period.

(Nepal Rastra Bank, 2021)

As Homestay Industry falls under the highly affected business section, the loan payment time was extended by 2 years. However, as the accumulated interest needed to be paid after the extended period, the Homestays still had to bear the pressure of repaying the interest then. Nevertheless, as there is still a chance of the business momentum not normalizing even after the 2 years extended period, the extension will most likely be further extended.

2. For the individuals who were involved in the Tourism Sector, and had lost their jobs due to the pandemic, they were made eligible to receive loans up to Rs. 1.5 million if intend to be self-employed (Nepal Rastra Bank, 2021). This opportunity can especially be beneficial to the employees who were working in Homestays previously, and had lost their jobs due to the pandemic. They could use this opportunity to start a Homestay of their own. Also, since Homestay

businesses are comparatively a low investment required business, stakeholders previously involved in other industries within the Tourism Sector may decide to take this loan and enter the Homestay Industry.

3. Under the business continuity loan program, for the businesses most affected by the pandemic, including the Tourism Sector and small and medium-scale enterprises, a loan of Rs. 956.7 million was approved for the purpose of conducting their operation and for the payment of wages (Nepal Rastra Bank, 2021). This policy again further eased the process of taking loans for stakeholders of the Homestay Industry.
4. Development banks were required to provide at least 20% and Finance companies were required to provide at least 15% of its total loans available to sectors such as MSMEs, energy, agriculture and Tourism Sectors by the mid-July of 2024 (Nepal Rastra Bank, 2021). Through this policy, the stakeholders of the Homestay have more opportunities to receive loans from these financial institutes.

From these policies, it can be seen that there weren't any relief funds provided free of cost for recovery. They were provided with loan extensions and reduction in interest rates, however, considering the stand-still situation of the businesses during the beginning of the pandemic and the slow recovery of the Tourism Sector, it can be difficult for the Homestays to repay the loans and pay the interests, even post pandemic. This could force these Homestays out of business, leading to further unemployment, decrease in standard of living, poverty, and various other socio-economic issues in the society.

Many supports provided were targeted towards the employees employed within the sector, rather than the business owners. As the Homestay Industry is a small scaled industry within most stakeholders involved being business owners, they may not be able to benefit from this support provided.

## 2.8 Chapter Summary

This chapter focuses on introducing and providing a background on the major aspects of the thesis, including the Tourism Sector of Nepal, the COVID-19 pandemic, the cancellation of the ambitious plan of GoN, VNY 2020 and the Homestay Industry.

While introducing and providing a background of the Tourism Sector of Nepal, 2 aspects were focused upon. Firstly, the historical aspect of the sector was discussed, from the first visit of mythological characters “Manjushree”, who is said to have converted Kathmandu to the Valley it is today from a lake by cutting the Chovar Hill with his sword, to how the sector has become one of the most prominent sectors in the country. Secondly, different events that have affected the Tourism Sector in the past have been discussed such as the civil war, the 2015 earthquake, leading to the discussion of the current COVID-19 pandemic.

While discussing the COVID-19 pandemic, firstly a brief about what is COVID-19 pandemic was provided followed by the COVID-19 condition of the country. The COVID-19 condition of the country was discussed with the help of COVID-19 daily new cases and 7 day rolling average of new cases chart provided by World Bank. The chart provides a visual representation of the peaks and the troughs of COVID-19 cases, making it easier to understand the timeframe of the lockdowns implied by the government. This timeframe of the lockdowns was further discussed while noticing its necessity and its effects on the COVID-19 condition of the country.

Further, the economic effect of the pandemic and how it impacted the Tourism Sector of the country was discussed. The GoN’s plan of making 2020 the most prosperous year for the stakeholders involved in the Tourism Sector with the help of VNY 2020, and how the opposite result was witnessed by the country due to the pandemic and it leading to the cancellation of the program was discussed.

Then the discussion on the Homestay Industry of Nepal was approached from the discussion of how the Homestay concept was present in historic literature of the country to how it evolved into this sustainable business model it is today. The governmental

policy that defined Homestay and its types: Private and Community were also looked upon.

Finally, the Monetary Policies published in 2020 and 2021 was looked upon, while identifying the governmental support and reliefs provided to support the Tourism Sector, and its subsection, the Homestay Industry.

## Chapter 3

### METHODOLOGY

Chapter 3 presents the complete step-by-step method used to fulfil the objectives set for the research.

#### 3.1 Type of Research

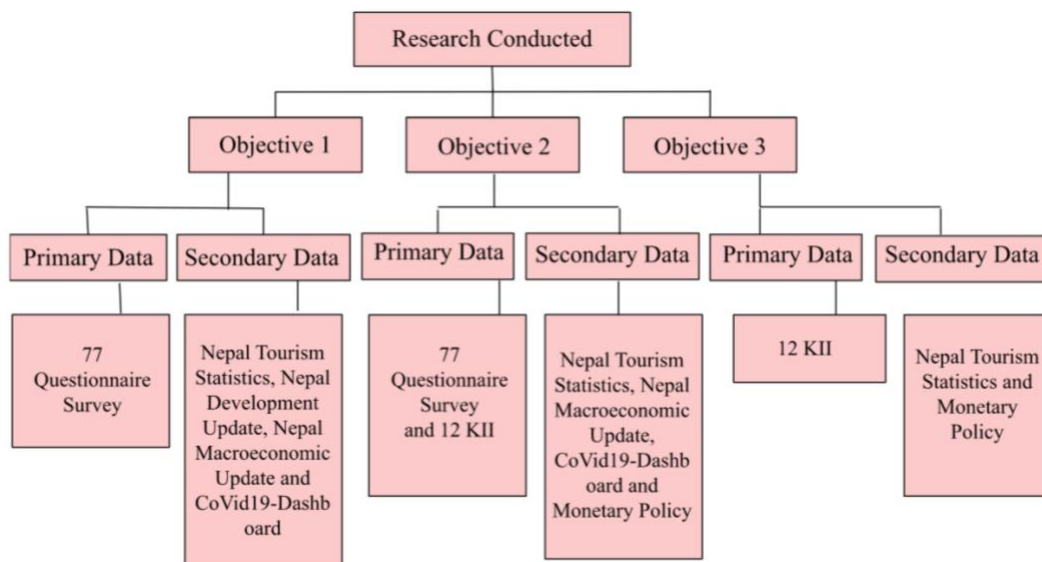
As demanded by the research objective, the study conducts a mixed research method, including both qualitative and quantitative analysis. The data for this mixed research method is collected through primary and secondary data sources but relies more on primary data.

#### Research Methodology Framework

Figure 3.1 presents the flow of the research conducted.

**Figure 3.1**

*Methodological flowchart*



### 3.2 Research Site

The site selected for the study is Kathmandu Valley. The location of the city in the map of Nepal is presented in Figure 3.1.

#### Figure 3.2

*Map of Nepal, showing the location of Kathmandu Valley*



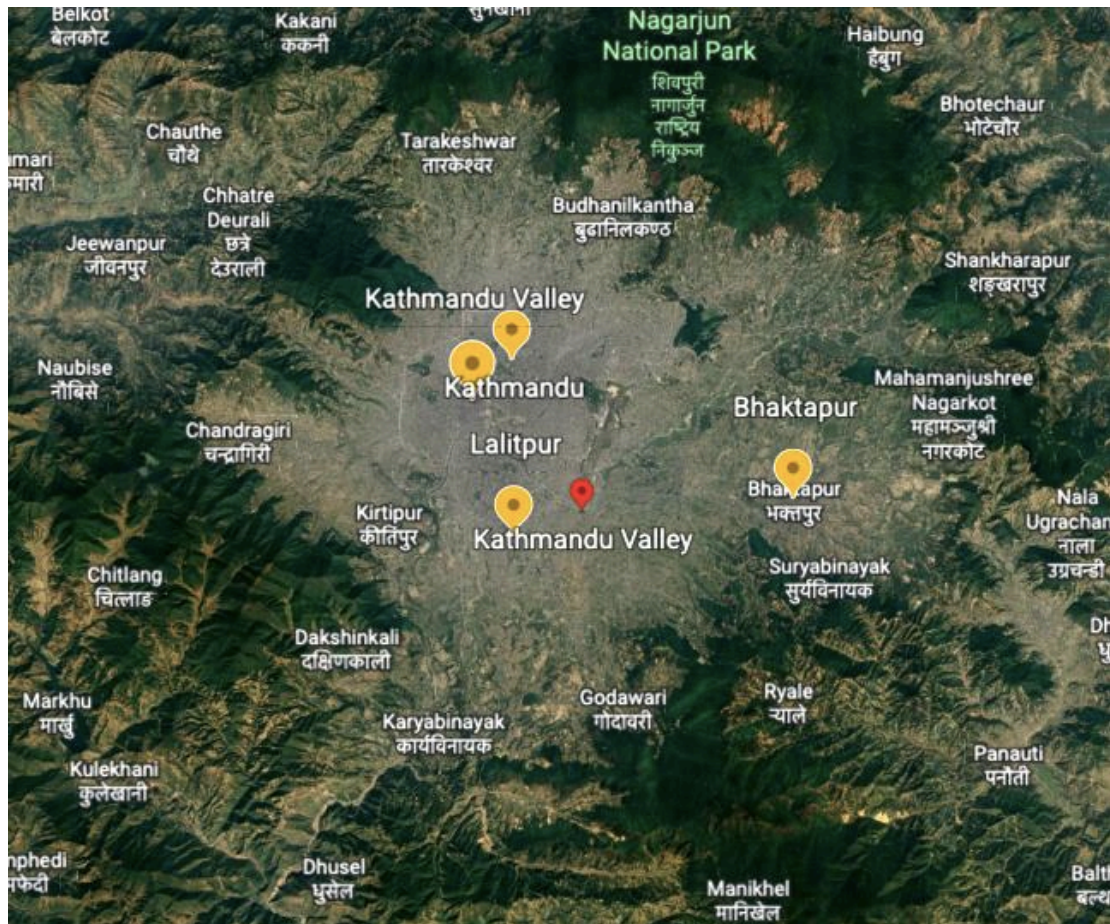
(Google Earth, 2022)

The Kathmandu Valley is 1349m above sea level, surrounded by the Shivapuri hill, the Nagarjuna hill, the Chandragiri hill and the Phulchowki hill (Himkala Adventure, 2022). The Valley alone accounts for 30% of the country's GDP hosting major industries of the country such as healthcare, education, handicraft and tourism (ADB, n.d) making it the economical hub of the country.

Kathmandu Valley consists of 3 major ancient cities namely Kathmandu, Lalitpur and Bhaktapur Metropolitan Cities, as presented in Figure 3.2.

**Figure 3.3**

*Map of Kathmandu Valley*



(Google Earth, 2022)

These 3 cities were independent states before the 18<sup>th</sup> century, and were ruled by the Malla kings, known for their contribution in the art and cultural heritage of the country (Nepal Tourism Board, n.d). The 3 cities can also be called the centre of art and cultural heritage of the country. With reference to UNESCO, n.d, together, the valley is home to 7 UNESCO World Heritage sites, namely:

- Kathmandu Durbar Square or Hanuman Dhoka
- Patan Durbar Square
- Bhaktapur Durbar Square
- Swayambhu
- Bauddhanath
- Pashupati
- Changu Narayan

The original inhabitants of the valley were the Newar community (UNESCO, n.d), who are a part of “Adivasi Janjati” Community, meaning the ethnic indigenous community of Nepal. This community is known for their skills in craftsmanship, and artistic abilities (Nepal Tourism Board, n.d). Thanks to their abilities, the valley is known for its unique and exquisite pieces of art, such as sculptures, temples, and monuments (Nepal Tourism Board, n.d).

In terms of climate, the valley has a temperate climate, with the temperature staying below 34 degrees even during summer and staying above 3 degrees even during winter (Nepal Tourism Board, n.d).

Due to these features of the valley, it is a popular destination amongst the tourists.

In terms of the Homestay Industry, the district with the greatest number of Homestay affiliated homes is Kathmandu (GoN, 2020). Bhaktapur and Lalitpur districts also have a significant number of Homestay affiliated homes. Due to this, it is safe to assume that these districts have a great number of stakeholders dependent upon the Homestay Industry. Hence, the valley was chosen as the study area for the research.

### **3.3 Sampling Method and Procedure**

#### **a) Questionnaire Survey**

With reference to the Nepal Tourism Statistics 2019, in the year 2019, there were 133 Homestay affiliated homes in the Kathmandu district, 17 Homestay affiliated homes in the Bhaktapur district and 21 Homestay affiliated homes in the Lalitpur district (GoN, 2020).

However, the research conducted only considers the Homestays that are registered under the Homestay Association of Nepal (HOSAN), as all Homestays under this association are legally registered, actively functioning, and reachable for the data collection process. These Homestays are as follows:

**Table 3.1***Homestays and Homestay affiliated homes under Homestay Association of Nepal*

Homestay Number	Homestay Type	Homestay affiliated homes
Homestay no. 1	Private	1
Homestay no. 2	Private	1
Homestay no. 3	Private	1
Homestay no. 4	Private	1
Homestay no. 5	Private	1
Homestay no. 6	Private	1
Homestay no. 7	Private	1
Homestay no. 8	Private	1
Homestay no. 9	Private	1
Homestay no. 10	Private	1
Homestay no. 11	Private	1

Homestay no. 12	Private	1
Homestay no. 13	Community	12
Homestay no. 14	Community	17
Homestay no. 15	Community	8
Homestay no. 16	Community	9
Homestay no. 17	Community	11
Homestay no. 18	Community	9
Total	18	78

---

The research considers the economic effect of the pandemic on individual homes affiliated to the Homestays. Total population sample of 78 households is taken for the research.

#### b) Key Informant Interviews

Key Informant Interview (KII) was conducted with 12 individuals including 6 Homestay representatives, 4 Homestay experts and 2 bank representatives. From the total respondents, 58% were from Kathmandu district, 25% from Bhaktapur district, and 17% from Lalitpur district, as presented in table 3.2.

**Table 3.2***Frequency and Location of KII respondents*

Homestay Experts		
Location	Frequency	
Kathmandu district	3	
Bhaktapur district	1	
Total	4	
Bank Representatives		
Location	Frequency	
Kathmandu district	2	
Total	2	
Homestay Representatives		
Location	Frequency	Type
Kathmandu district	2	1 Private 1 Community
Bhaktapur district	2	1 Private 1 Community

Lalitpur district	2	1 Private 1 Community
<b>Total</b>		<b>6</b>
<hr/>		
<b>Total</b>		<b>12</b>
<hr/>		

The Homestay representatives were selected on the basis of recommendation provided by the HOSAN representative. The HOSAN representative recommended them on the basis of their active participation in the Homestays activities.

Experts are selected for the consultation on the basis of the following criteria.

- Involvement in the Tourism Sector and Homestay Industry for at least 3 years.
- Experience in management level position.
- Recognition in the field of expertise.
- Experience dealing with both the Homestays guests and the Homestays owners and managers.

Finally, the bank representatives were selected on the basis of their experience of dealing with Homestay stakeholders.

### **3.4 Data Collection Methods**

Both primary and secondary data collection methods are used.

#### **3.4.1 Data Collection**

Primary data is collected using the following methods:

1. Questionnaire Survey:
  - Information such as booking rates, average room rates, employees employed and financial support required, pre-pandemic, during pandemic and in the current situation, collected through the survey.

- Information regarding the economic condition such as their expenses and revenue are collected through the survey.
- Data is collected for the years 2019, 2020, 2021 and 2022.
- Information regarding the coping strategies used by the Homestays during the pandemic collected.
- Information regarding the knowledge, usage and effectiveness of the support and funds provided by the NRB, referring to the Monetary Policy Nepal 2020 and targeted towards the Tourism Sector is collected.

## 2. Key Informant Interview:

- The first objective of this interview was to get further insights on the economic condition of the Homestays in the years 2019, 2020, 2021 and 2022.
- The second objective of this interview was to get a deep understanding of the different response measures used by Homestays to recover from the damage caused by the COVID-19 pandemic.
- And the third objective of this interview is to get a deep understanding as to how effective has the support provided by the NRB's Monetary Policy 2020 and 2021, targeted towards the Tourism Sector on the recovery of the Homestay Industry.

### 3.4.2 Secondary Data Collection

The information discussed in the Literature review is used for the study. Some of the major documents used as secondary data are as follows:

- Monetary Policy 2020-2021 and 2021-2022, published by NRB. This document is used to identify the different support and funds provided to the Tourism Sector and its sub-section, the Homestay industry for its recovery from the damage caused by the pandemic.
- Nepal Tourism Statistics 2020 and 2021 published by Government of Nepal Ministry of Culture, Tourism & Civil Aviation. Nepal Tourism Statistics 2022 is not published yet for use. This data is mainly used to see the trends related to the tourism sector in the previous years. By doing so, analyses of the current situation and prediction of future situations are done.

- Nepal Development Update 2022 published by World Bank. Through this data, the overall economic development of the country, and the economic development of the Tourism Sector of the country is extracted for analysis. Information regarding the role of the pandemic on these factors are looked upon as well.
- Nepal Macroeconomic Update 2022 published by ADB. Through this data, the overall economic condition of the country, and the economic condition of the Tourism Sector of the country is intended to be extracted for analysis. Information regarding the role of the pandemic on these factors are looked upon as well.
- CoVid19-Dashboard, updated daily by Government of Nepal Ministry of Health & Population of Nepal. Data regarding the COVID-19 situation of the country is intended to be analyzed using the data extracted from the dashboard.

### **3.5 Data Analysis**

A mixed method consisting of both quantitative and qualitative analysis methods has been carried out in this research.

#### ***3.5.1 Quantitative Data Analysis***

Quantitative data analysis is a close-ended data analysis method that analyzes numerical and categorical data using statistical techniques (Jansen, Warren, 2020). For this research, the following statistical techniques are applied using the R software for data analysis.

- a) **Descriptive Analysis:** This method is used for the purpose of simplifying the data presented, and for better understanding.
- b) **Welch's t-test:** This is a comparative analysis conducted on the means of 2 heterogeneous independent data sets.
- c) **Mann Whitney u-test:** This is a non-parametric test which is used when analyzing the difference between two samples. It is particularly useful when comparing groups with a lower number of samples.
- d) **Multiple Regression Analysis:** This method is used with the purpose of understanding the cause and effect of independent variables on dependent variables.

### **Quantitative Data Analysis used to fulfil Objective 1**

In order to understand the change in economic condition of Homestay affiliated homes from 2019 to 2022, the data regarding their economic conditions are presented using [Descriptive statistics](#). [Welch's t-test](#) and [Mann Whitney u-test](#) was used to compared the profits generated by Community and Private Homestays affiliated homes. [Multiple regression analysis](#) for the 3 phases were conducted to understand the factors affecting expenses and revenues incurred during these phases.

The following data presented in table 3.3 were collected for this process through questionnaire survey.

**Table 3.3:***Independent and Dependent variables for Multiple Regression Analysis*

<b>Independent Variables</b>	
<b>Category</b>	<b>Variables</b>
1. Rooms	Number of Rooms
	Average Room Rates
2. Employees	Total number of employees hired to conduct Homestay activities
3. Guests	Average occupancy of Domestic Guests
	Average occupancy of Foreign Guests
	Average days of stay
4. Loans taken	Loans taken
	Interest rate paid
	Use of governmental support (mentioned in Monetary Policies 2020 and 2021)
5. Maintenance	Maintenance such as housekeeping, heat light power, etc.
<b>Dependent Variable: Profit generated</b>	

The equation used can be broken down as presented in the following text:

$$Y1 = B0 + B1X1 + B2X2 + \dots + B5X5$$

where, (B0 ... B6) is the regression coefficients, X is the independent variables and e is the error of prediction.

### **Quantitative Data Analysis used to fulfil Objective 2**

In order to understand the strategies used by the Homestays to recover from the pandemic, factors such as the challenges faced by the Homestays, concerns that the

Homestays have for post-pandemic phase, edges that the Homestays have over other businesses under Tourism Sector, strategies used by the Homestays, reasons why some Homestays are not using any strategies, and recommended strategies provided by the Homestay experts were presented using [Descriptive Statistics](#).

### ***3.5.2 Qualitative Data Analysis***

Qualitative data analysis was used to fulfill objectives 2 and 3. This data analysis is an open-ended analysis method in which unstructured and non-numeric data are gathered, structured and interpreted to understand what it represents (Dye, n.d). For this research, Thematic coding Analysis is used.

[Thematic coding Analysis](#) follows the process of analyzing written documents or transcribed recordings, and identifying information with common themes, clubbing them together into categories, and establishing them into a “framework of thematic ideas” (Mountain, 2019).

With reference to Delve, 2020, the step-by-step process followed in order to carry out this analysis is as follows:

#### **1) Data Familiarization**

In this process, the data available was converted into written format. For instance, in this research, the key informant interviews recorded were transcribed for further analysis purposes. In addition to that, the transcribed data was also briefly analyzed to identify potential codes that could be created.

#### **2) Initial codes creation**

In this step, initial codes representing the patterns and meanings seen in the data were created and recorded in a codebook. In addition to that, the data was also revisited to identify interesting findings, to which, the created codes could be used. Ideas and findings with similar meanings or ideas were given the same code.

#### **3) Codes with similar ideas clubbed**

Here, all the ideas and findings with same codes were clubbed together.

4) Codes grouped into themes

In this process, the codes were sorted into potential themes, to identify patterns and trends. These codes were then revisited to see if there were any overlapping codes that could be combined or if any codes need to be further divided into different codes to match the potential themes.

5) Revision and review of the themes

In this step, the themes were revisited to see if there was enough data and information to support them. Themes with insufficient data were removed and themes with overlapping ideas were merged together. Additionally, the themes were then taken forward towards formulating narratives.

6) Narratives

Finally, the data was communicated with the readers in the form of narratives. These natives were supported with relevant quotes extracted from the data. A coherent story was narrated, presenting unique thoughts and arguments extracted from the process followed.

### **3.6 Chapter Summary**

This chapter illustrates a picture of the methodology used for the study. Kathmandu Valley was selected as the study area for the research as the valley is home to a significant number of stakeholders involved in the industry. The sample size for primary data collection of the research included 77 questionnaire survey respondents and 12 key informant interview respondents. For secondary data collection, documents such as Monetary Policy 2020-2021 and 2021-2022, Nepal Tourism Statistics 2020 and 2021, Nepal Development Update 2022, Nepal Macroeconomic Update 2022, and CoVid19-Dashboard were used.

Quantitative data analyses methods used were Descriptive Analyses, Welch's t-test and Mann–Whitney U test. Qualitative data analysis used was Thematic coding Analysis. Quantitative data analysis was used to fulfil objective 1 and to support objective 2. Qualitative data analysis was used to fulfil objective 2 and 3.

The details are presented in Table 4.

**Table 3.4**

*Illustration of data sources, data collection and analysis methods used.*

<b>Objective</b>	<b>Quantitative Analyses</b>	<b>Data collection for Quantitative Analyses</b>	<b>Qualitative Analysis</b>	<b>Data collection for Qualitative Analysis</b>
Objective 1	<ul style="list-style-type: none"> <li>• Descriptive statistics</li> <li>• Welch's t-test</li> <li>• Mann-Whitney U test</li> <li>• Multiple regression analysis</li> </ul>	77 questioner surveys		
Objective 2	Descriptive statistics	77 questioner surveys	Thematic coding Analysis	12 KIIs
Objective 3			Thematic coding Analysis	12 KIIs

## CHAPTER 4

### HOMESTAY AND RESPONDENT PROFILE

This chapter presents the overall profiles of the Homestays and the respective representatives of the Homestay affiliated homes, from whom the data have been collected. The research area of the thesis is the Kathmandu Valley; hence the data is collected is from 3 cities within the valley, Kathmandu, Lalitpur and Bhaktapur.

The immediate pre-pandemic phase refers to the year 2019, taken to represent the economic condition of the Homestays and the Homestay affiliated homes before the declaration of pandemic. The during-pandemic phase refers to the years 2020 and 2021. It is essential to know that during this phase, most Homestays were in stand-still situation with minimal to no guests hosted. The current-phase refers to the year 2022. Since the economic year had not come to an end yet during the data collection period, the data collection was done on the basis of prediction made by the Homestay representatives.

#### 4.1 Respondent Profile

##### 4.1.1 Profile of KII respondents

**Table 4.1**

*KII respondent's details*

<b>KII Respondents</b>	<b>Profession</b>	<b>Category</b>	<b>Gender</b>	<b>Years of Experience</b>
Respondent 1	Homestay Owner	Homestay Representatives	Male	5
Respondent 2	Homestay Owner	Homestay Representatives	Female	5
Respondent 3	Homestay Owner	Homestay Representatives	Male	3
Respondent 4	Homestay Owner	Homestay Representatives	Male	2

Respondent 5	Homestay Owner	Homestay Representatives	Female	4
Respondent 6	Homestay Owner	Homestay Representatives	Male	6
Respondent 7	Manager at Nepal Tourism Board	Homestay Expert	Female	15
Respondent 8	Tourism Expert at ICIMOD	Homestay Expert	Female	8
Respondent 9	Treasurer of Homestay Association of Nepal	Homestay Expert	Female	4
Respondent 10	COO of Community Homestay Network	Homestay Expert	Male	3
Respondent 11	Manager at Loan Department	Bank Representative	Male	6
Respondent 12	Manager at Loan Department	Bank Representative	Male	7

---

#### ***4.1.2 Profile of Questionnaire Survey Respondents***

##### ***4.1.1.1 Type of the Homestays***

The Homestays are divided into Community Homestays, where a minimum of 5 Homestays affiliated homes come together and work as a Community Homestay, and Private Homestays, where individual homes conduct their overall Homestay business activities individually. The communication focal points of the Homestay affiliated homes were responsible for participating in this particular questionnaire survey.

Majority of respondents for this thesis were representatives of Community Homestay affiliated homes making 84.4%, and the remaining 15.6% of the respondents were representatives of Private Homestay affiliated homes, presented in table 4.2.

**Table 4.2**

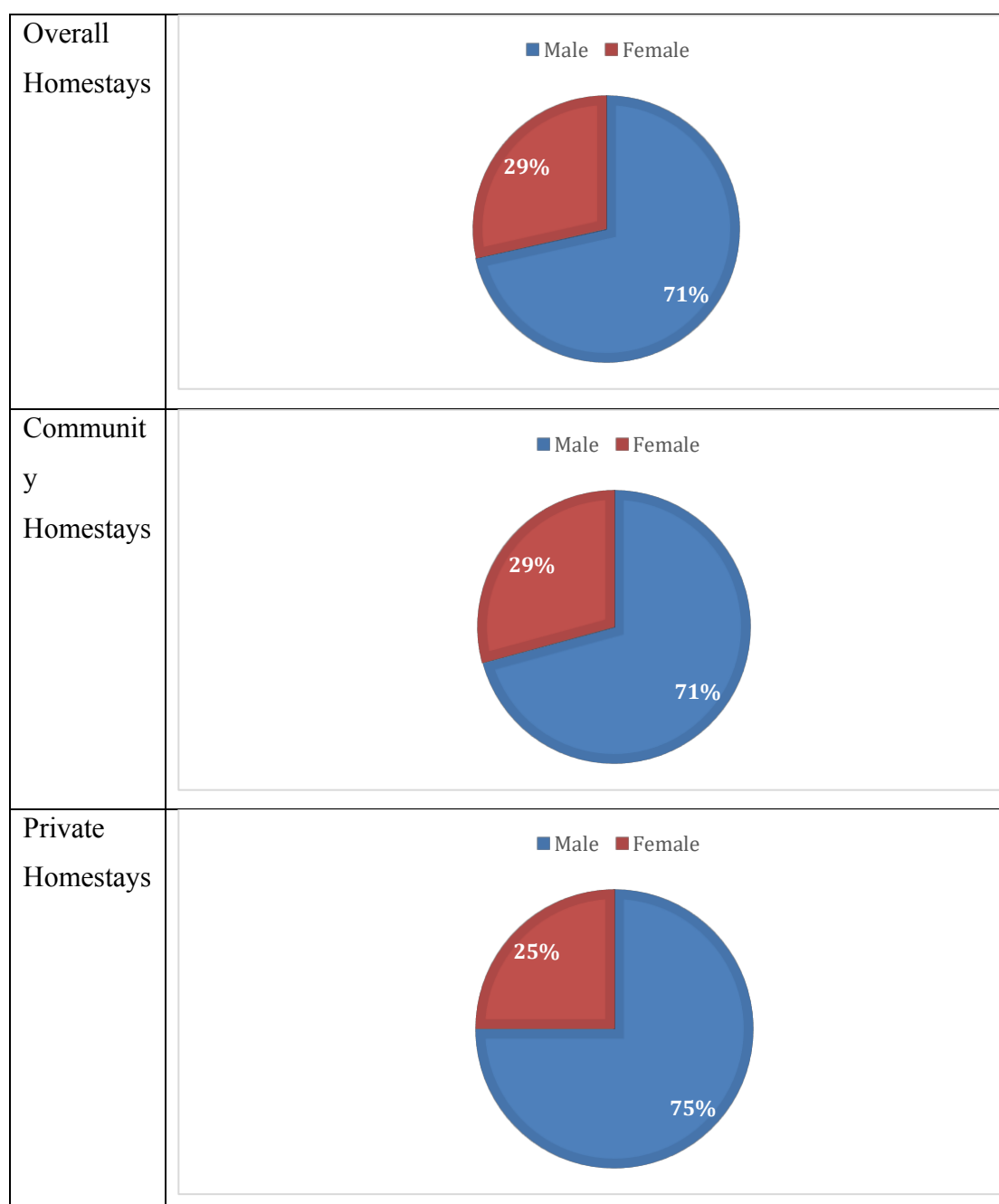
*Homestay Profile by Type (questionnaire survey)*

Homestay Type	Frequency	Percentage
Community Homestay	65	84.4%
Private Homestay	12	15.6%
Total	77	100%

#### **4.1.2.2 Gender of the Homestay affiliated homes Respondents**

The respondents of the research were of the questionnaire survey were Homestay representatives, who were either the owner, or a family member of the owner. 71% of the respondents were male whereas 29% of the respondents were female. This shows that there are more men involved in the industry compared to women, as oppose to the IIDS study stating that there are more female stakeholders involved in the industry, with reference to Literature Review sub-section 2.5.5.1. However, as the study area is limited to Kathmandu Valley, that data can be unique to the study area.

71% of the Community Homestay respondents were male and 29% of the respondents were female, whereas 75% of the Private Homestay respondents were male and 25% of the respondents were female. The data is presented in table 4.3.

**Table 4.3***Gender division of Homestay affiliated homes respondents.***4.1.2.3 Economic Dependence of Respondents**

The percentage of the total earnings of the respondents, depending on the respective Homestays are presented in table 4.4. More than 60% of the respondent's economic condition depends dominantly on the Homestay

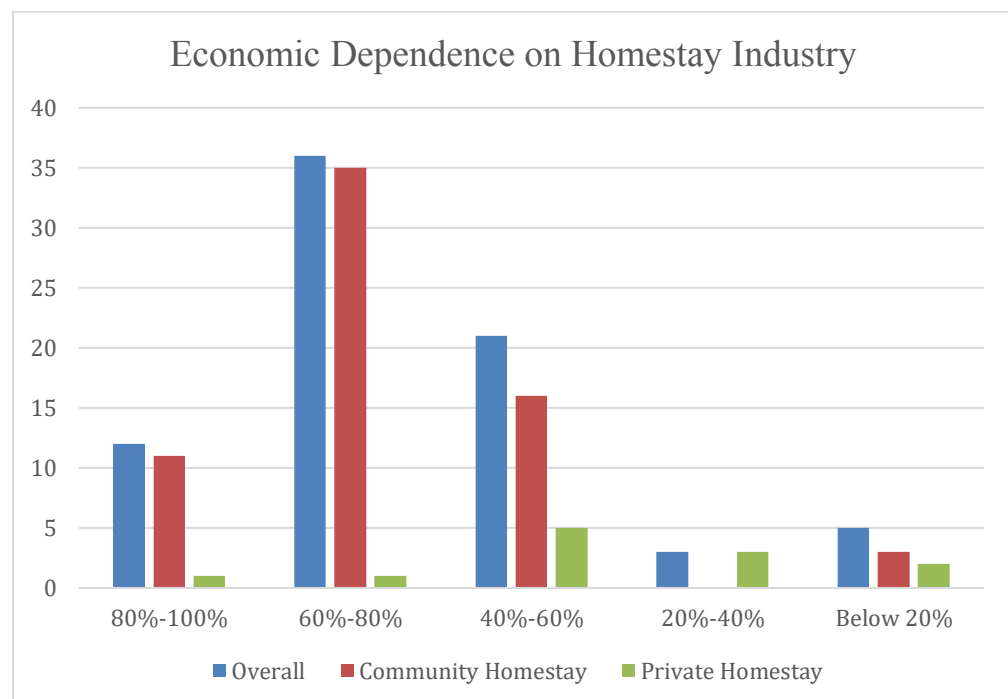
Industry. This shows that downfall of economic performance of the industry impacts the individual households and individual respondents heavily. This also shows that the effect of the pandemic impacts these individuals intensely.

In the case of Community Homestays, more than 60% of the respondent's economic dependency is more than 60% on the industry, as presented in table 4.5.

Private Homestays, more than 80% of the respondent's economic dependency is less than 60% on the industry, as presented in table 4.6.

**Figure 4.1**

*Economic Dependence on Homestay Industry*



## 4.2 Location of Respondent Homestays

Table 4.4 shows the location of the respondents for the questioner survey, presented on the basis of municipalities. The outer boundary of municipalities Chandragiri, Nagarjun, Tokha, Budhanilkantha, Gokarneshwar, Shankharapur, Changunarayan, Suryabinayak, Mahalaxmi, Godawari and Dakshinkali are the boundaries of the Kathmandu Valley.

Municipalities Kathmandu, Nagarjun, Kirtipur and Budhanilkantha are situated in Kathmandu district, municipalities Lalitpur and Mahalaxmi are situated in Lalitpur district, and municipalities Bhaktapur and Changunarayan are situated in Bhaktapur district. The locality division is presented in Table 4.4. From the table, it can be understood that the largest number of households involved in Homestay businesses lie in Kathmandu district. However, in terms of municipality, the largest number of households lie in Lalitpur municipality.

**Table 4.4**

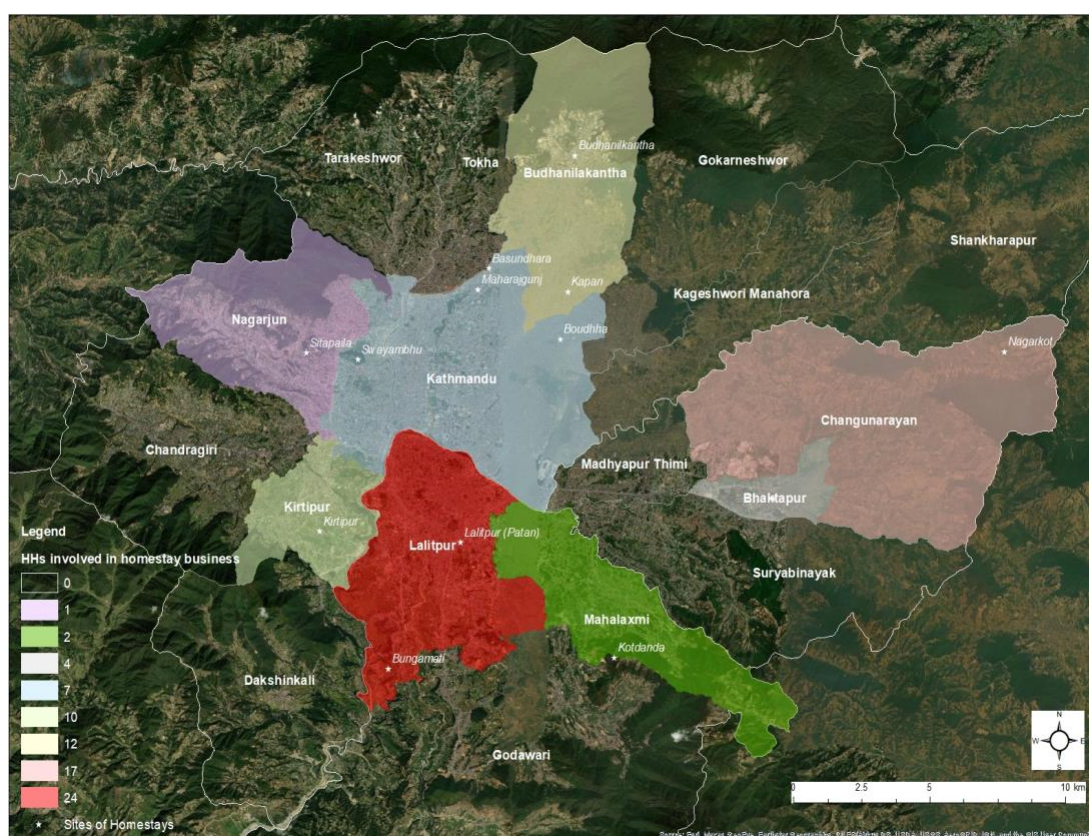
*Questionnaire survey locality division*

District	Municipality	Households Involved in Homestays	Street
Kathmandu	Kathmandu	7	Swayambhu, Basundhara, Maharajgunj
Kathmandu	Budhanilkantha	12	Kapan, Budhanilkantha
Kathmandu	Kirtipur	10	Kirtipur
Kathmandu	Nagarjun	1	Sitapaila

Bhaktapur	Bhaktapur	21	Nagarkot, Bhaktapur
Lalitpur	Mahalaxmi	2	Kotdada
Lalitpur	Lalitpur	24	Patan, Bungamati

**Figure 4.2**

*Map of questionnaire survey locality division*



*Figure created using GIS Software*

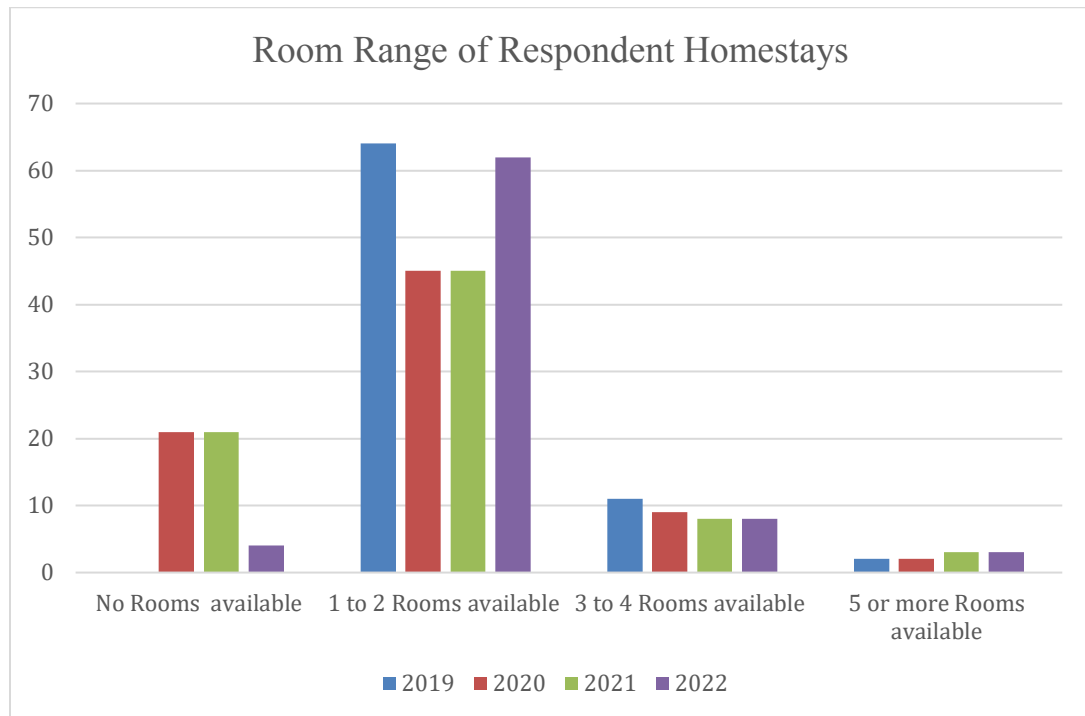
### 4.3 Number of Rooms

As per the Homestay Working Procedure, 2067 Act, each home should have a minimum of 1 and a maximum of 4 spare rooms to accommodate guests, in order to be registered. However, some respondent Homestay affiliated homes have more than 4 rooms

accommodating guests. Majority of the respondents however have 1-2 spare rooms available to accommodate the guests, as presented in Figure 4.3.

**Figure 4.3**

*Room Range of Respondent Homestays.*



It can be seen that in the years 2020, 2021, and 2022, several homes offered 0 rooms. This means that these homes did not accept guests during this period, as they chose to not participate in Homestay activities during this period. These homes simply did not accept guests during this period.

With reference to Pearson's chi-squared test however, there was no significant difference between the number of rooms provided in the years 2020, 2021 and 2022, compared to the year 2019. This is because most households already offered only 1-2 rooms even prior to the pandemic, and post pandemic, even these rooms were not offered.

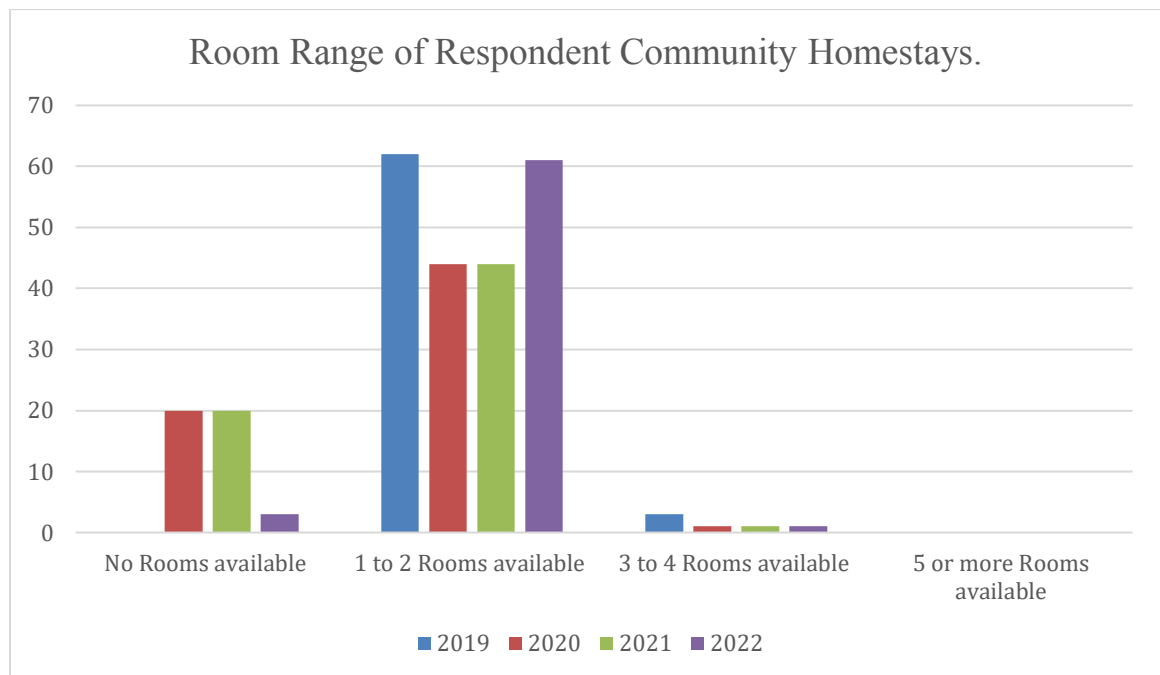
#### 4.3.1 Number of Rooms in Community Homestays

Most Community Homestay affiliated homes offer 1-2 rooms to the guests. This is because more than 5 homes come together for business activities, resulting in more accumulated numbers of rooms provided to guests. Due to this, these homes tend to focus more on quality than quantity.

After the declaration of the pandemic, even the homes that used to offer 3 or more rooms started providing below 2 rooms. 20 homes were inactive after the declaration of the pandemic, from which 3 of them are still inactive, as presented in Figure 4.4.

**Figure 4.4**

*Room Range of Respondent Community Homestays.*

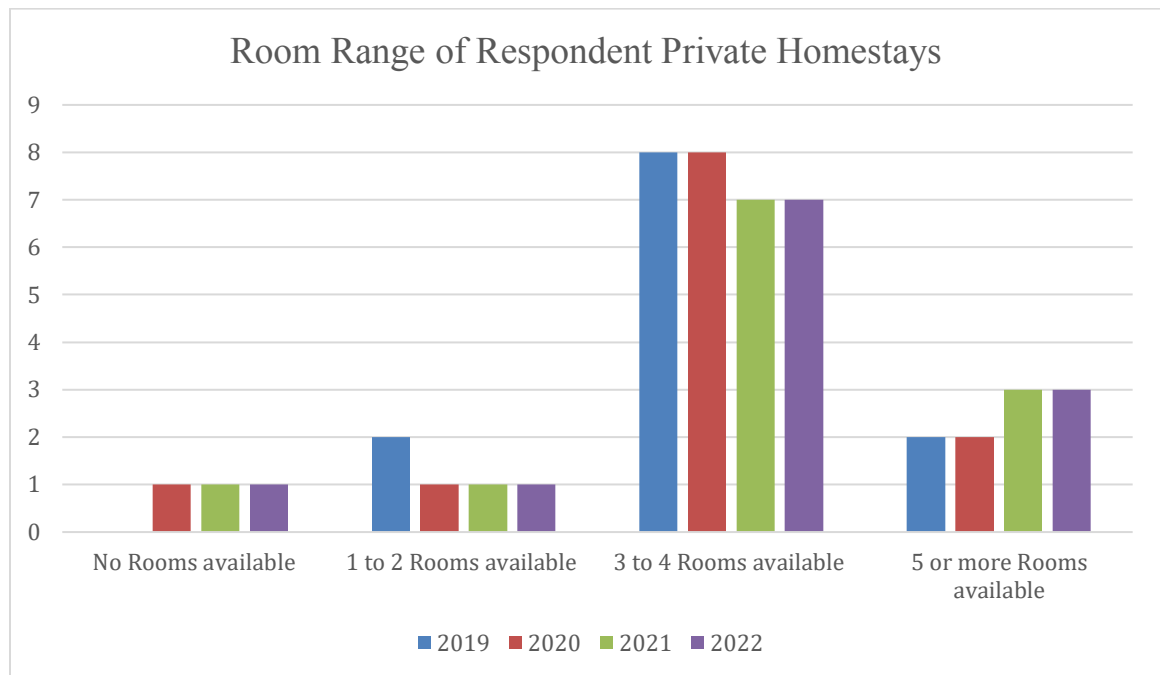


#### 4.3.2 Number of Rooms in Private Homestays

In the case of Private Homestays, 1 respondent Homestay has remained shut after the declaration of the pandemic, and 1 respondent Homestays that used to offer 3 to 4 rooms started providing more than 5 rooms after the lifting of lockdowns and travel restrictions, as presented in Figure 4.5.

**Figure 4.5**

*Room Range of Respondent Private Homestays.*



With reference to Welch's t-test, there is a significant difference between the room frequencies in Private and Community Homestays, with the p-values of one-tail tests being 0.00.

#### **4.4 Non-Homestay Services**

Non-Homestay services refers to the add on services provided by the Homestays. The popular add on services provided are hiking services and city visit services. Other add on services include cooking classes, yoga classes, meditation and healing, and cultural events provided. In terms of cultural programs, some cultural programs, welcome and farewell programs done in traditional manner to be specific are considered Homestay services. However, other additional services like cultural dances and acts are considered as non-Homestay services.

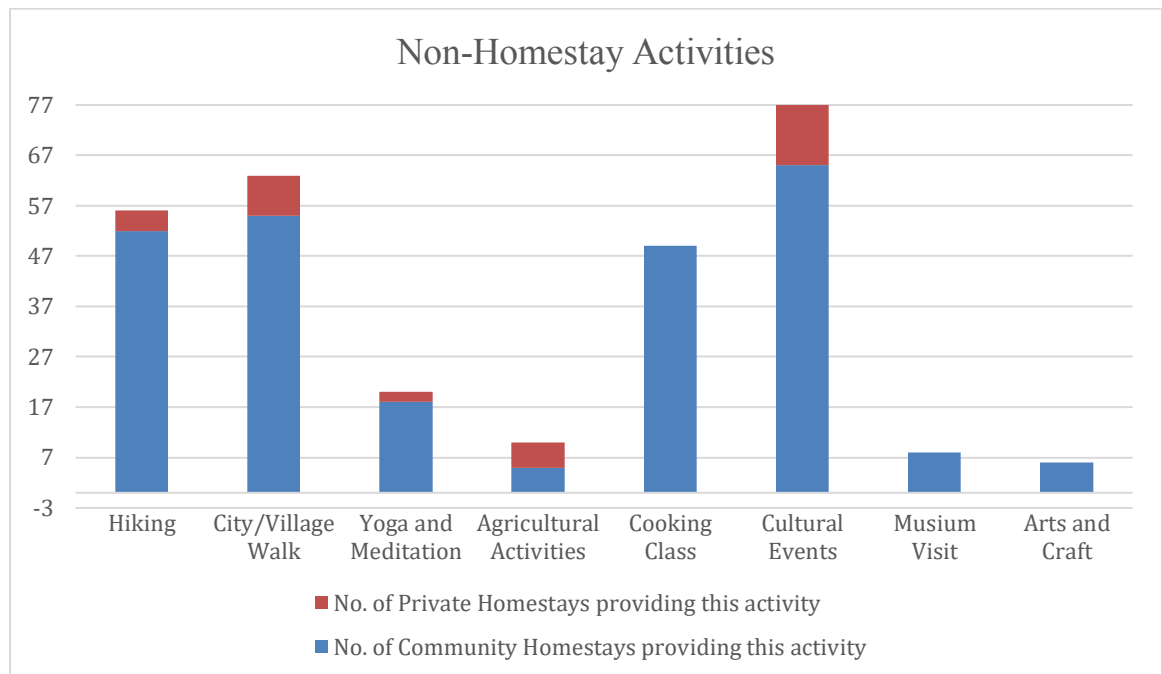
Methods for charges for these services vary depending on individual homes and the intensity of services demanded by the guests. For example, if a guest demands for a long hiking service in geographically demanding areas, a 3rd party guide is hired to conduct those activities. In such cases charges are specified on the basis of the demand of the 3rd party guide. However, on the other hand, if the guests demand for cooking

classes of simple traditional dishes, the owners personally provide these classes with no additional charges.

With reference to Figure 4.6, it can be understood that Community Homestays provide a larger variety of non-Homestays activities compared to Private Homestays.

**Figure 4.6**

*Non-Homestay activities provided*



## 4.5 Chapter Summary

The primary data collection for this thesis was done through in-depth interviews and questionnaire surveys.

In terms of in-depth interviews, 12 interviews were conducted from which, the largest number of interviewers were from Kathmandu district, followed by Bhaktapur district and then Lalitpur district. The larger proportion of the respondents were male (58%) and the majority of these interviewers had 5 to 10 years of experience in the Homestay industry.

In terms of questionnaire survey, 77 surveys were conducted, with the larger percentage of these respondents representing Community Homestays (84.5%), compared to the Private Homestays (15.6%). 66% of them were male whereas only 34% were female. Majority of these respondents (46.7%) depended upon the Homestay business to about 60%-80% economically.

In terms of the location of the Homestays, majority of these Homestays were located in Kathmandu district, followed by Lalitpur district, and then Bhaktapur district. Most Community Homestays offered 1-2 rooms to travelers whereas most Private Homestays offered 3-4 rooms.

In terms of the non-Homestay services, it can be seen that before the pandemic (2019), more than 50% of the Homestay affiliated homes experienced 25%-75% demand for these services. However, after the pandemic hit, majority of the homes are witnessing demand of less than 50%, showing the effect of the pandemic.

## CHAPTER 5

### ECONOMIC CHANGE BROUGHT BY THE COVID-19 PANDEMIC ON THE HOMESTAY INDUSTRY OVER THE YEARS 2019 TO 2022

The first objective of the thesis “To understand the change brought by the COVID-19 pandemic on the economic condition of the Homestay affiliated homes over the time frame of 2019 to 2022” is aimed to be achieved in this chapter.

#### **5.1 Economic Condition of Homestays Industry in the immediate Pre-Pandemic Phase**

To analyze the economic condition of the Homestay Industry in the immediate pre-pandemic phase, data has been collected regarding the economic performance of the respondent Homestay affiliated homes in the year 2019.

##### ***5.1.1 Overall Performance of Homestays***

In the year 2019, 37% of the respondent Homestays claimed that their businesses were doing very well, followed by 45% of the Homestays claiming that their Homestays were doing well economically, as shown in Figure 5.1.

*“Our Homestay was doing very well prior to the pandemic. My family shared a very warm relationship with the guests living with us.” - (Owner, Private Homestay, Kathmandu)*

On the other hand, 18% of the Homestays claimed that they were already struggling economically, as shown in Figure 5.1. They were either running under the pressure of heavy loans, were still recovering from losses brought by the catastrophic 2015 earthquake, and/or were struggling with coming in contact with the potential guests.

*“We introduced our Homestay in 2013 after renovating our house by taking a loan from the bank. But before even starting to make a good profit the earthquake hit. However, since we witnessed the tourism sector of the country making a fast recovery, we did not lose hope and continued our business. We*

*were already struggling economically, and to top all that, now the pandemic has hit.” - (Owner, Community Homestay, Kathmandu)*

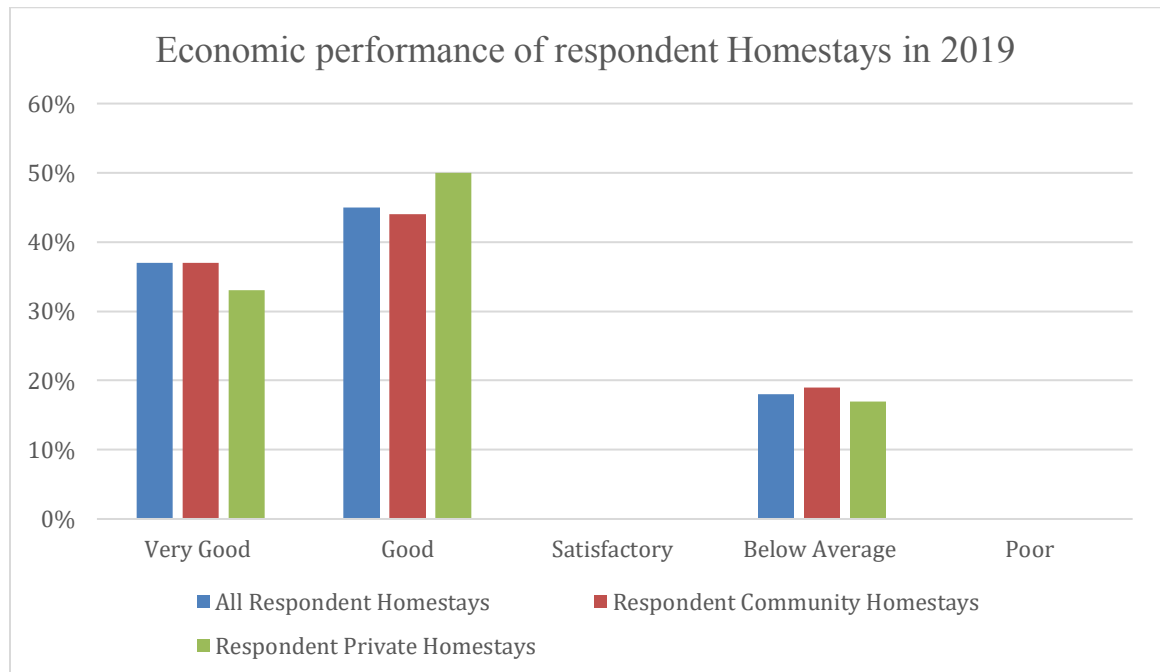
However, despite struggling or benefiting economically, the Homestays, along with Homestay experts, were looking forward to enjoying a prosperous economic year, 2020. This was due to the VNY 2020 campaign that was supposed to have boosted the prosperity of the tourism sector of Nepal.

*“We were very excited about 2020. Especially since we were aware of the success stories of Nepal Tourism Year 2011, we were convinced that 2020 could bring in such prosperity as well.” - (Homestay Expert, Kathmandu)*

Some Homestays had also inverted a large sum of funds to prepare their homes for the year 2020, only to be left with a larger financial depth, creating a stressful environment.

**Figure 5.1**

*Economic performance of respondent Homestays in 2019*



### **5.1.2 Profit generated by Homestays in 2019**

In the year 2019, the profit generated by ranged from NRS 25,000 per year to NRS 1,638,000. 25% of the homes made a profit of below NRS 340,000, whereas only 25 %

of them made a profit of above NRS 690,000. The 50% mark of the profit generated was NRS 396,000 and the average profit generated was NRS 479,473.

In terms of Community Homestays, the profit generated ranged from NRS 25,000 to NRS 1,000,000. 25% of the homes generated profits of below NRS 340,000 and 25% of them generated a profit of above NRS 700,000. The 50% mark of the profit generated was NRS 400,000 and the average profit generated was NRS 477,086.

Similarly, in terms of Private Homestays, the profit generated ranged from NRS 204,000 to NRS 1,638,000. 25% of the Homestays generated profits of below NRS 276,000 and 25% of them generated a profit of above NRS 480,000. The 50% mark of the profit generated was NRS 360,000 and the average profit generated was NRS 492,400.

Comparing the profit generation by representatives of Community and Private Homestays, it can be seen that the range of profit generation amongst the Community Homestay associated homes were wider compared to the range of profit generation of Private Homestay affiliated homes. Despite the minimum profit generation of Community Homestay homes being NRS 25,000, which is lower compared to the minimum profit generated by Private Homestay homes, which is NRS 204,000, the first quartile of Community Homestay homes is higher than the first quartile of Private Homestays.

Similarly, despite the maximum profit generated by Private Homestay homes being higher than the maximum profit generated by Community Homestay homes, the third quartile of Community Homestay homes is higher than the third quartile of Private Homestay homes.

However, as per the result of Welch's t-test conducted, the p-value of 1 tail test is 0.45, signifying that there is no significant difference between the profits generated by Community and Private Homestay homes, in the year 2019.

Similarly, with reference to Whitney's U test, the p-value of the test was 0.9 signifying that there is no significant difference between the profits generated by Community and Private Homestay homes, in the year 2019.

**Table 5.1**

*Measures of central tendency for profit generated by Homestays in 2019.*

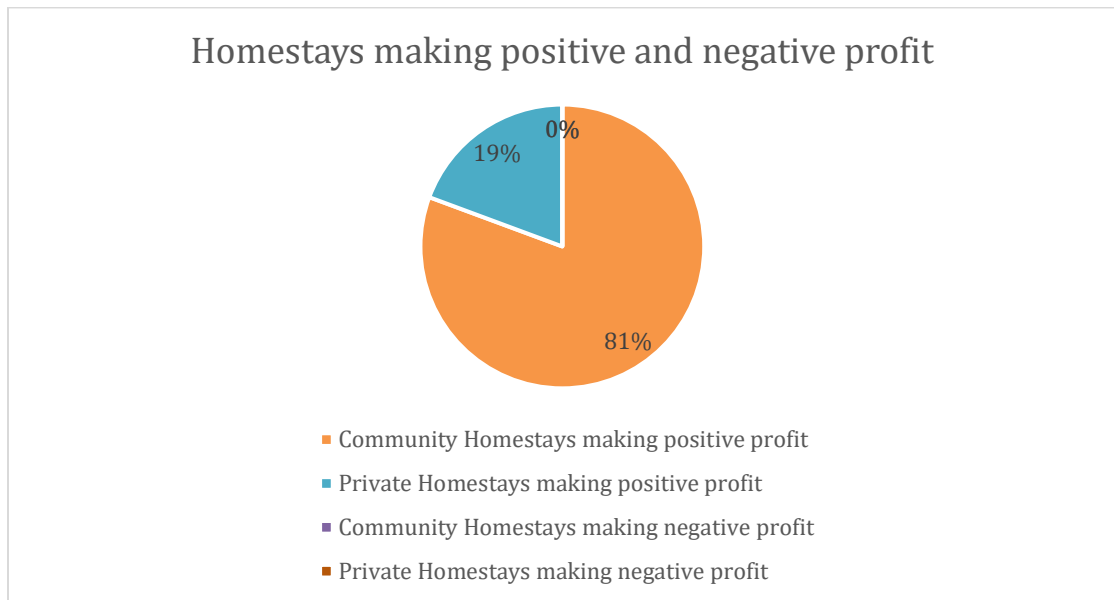
<b>Homestays</b>	<b>Minimum</b>	<b>Q1</b>	<b>Median</b>	<b>Mean</b>	<b>Q3</b>	<b>Maximum</b>	<b>Total Sam ple</b>
<b>All</b>	25,000	340,000	396,000	479,473	690,000	1,638,000	77
<b>Community</b>	25,000	340,000	400,000	477,086	700,000	1,000,000	65
<b>Private</b>	204,000	276,000	360,000	492,400	480,000	1,638,000	12

As presented in figure 5.2, there were no Homestays among the respondent Homestays making negative profit in the year 2019. Despite of certain Homestays struggling to generate significant income during this year, it was found that they were at least able to reach a break-even point.

Since the number of households affiliated to Community Homestays are greater compared to Private Homestays in Kathmandu Valley, and in terms of the sample size of the research, the Figure shows a larger percentage of Community Homestays making profit compared to Private Homestays.

**Figure 5.2**

*Homestays making positive and negative profit*



### **Factors affecting the profits generated**

With reference to Table 5.2, it can be understood that in the year 2019, the factors affecting the profit generated were number of rooms, average length of stay, loan taken and maintenance cost. While the number of rooms and average length of stay had positive impact on the profit generated, loan taken and maintenance cost had negative impact.

**Table 5.2*****Multiple regression analysis results***

No.	Variables (X)	Dummy	Coff.	p-value
	Intercept		411600	.00***
1	Number of Rooms (X1)		9187	.04.
2	Average Length of Stay		4221	.05.
3	Number of Employees		-15180	.7
4	Average occupancy of Foreign Guests		0.65	.13
5	Average occupancy of Domestic Guests		1.97	.22
6	Loan Taken	Yes = 1 No = 0	-252300	.002**
7	Interest Rate	1% -5% = 1 6% - 10% = 2 11% - 15% = 3	- 1620 - 11553 - 12152	.10 .11 .10
8	Maintenance Cost		- 4105	.002**


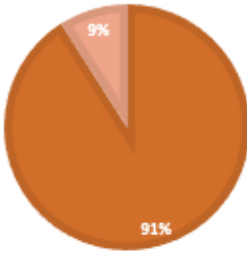
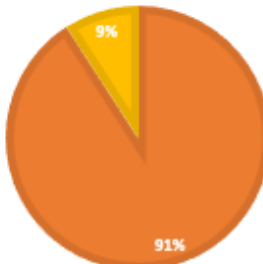
Here,

Total number of sample (n) was 77,  $r^2$  was 0.8, and the p-value was 0.00. Significance had been carried out at 10% level.

***5.1.3 Customer Type in 2019***

In the year 2019, majority of the customers welcomed by the Homestays were foreigners. The proportion of Nepalese guests was below 10% in both Community and Private Homestays, as presented in table 5.3.

**Table 5.3***Proportion of Foreign Guests versus Nepalese Guests in 2019*

Homestays	Proportion of Foreign Guests versus Nepalese Guests						
Overall	<p><b>PROPORTION OF FOREIGN GUESTS VERSUS NEPALESE GUESTS IN 2019</b></p> <p>■ Foreign Guests ■ Nepalese Guests</p>  <table border="1"> <thead> <tr> <th>Guest Type</th> <th>Proportion</th> </tr> </thead> <tbody> <tr> <td>Foreign Guests</td> <td>91%</td> </tr> <tr> <td>Nepalese Guests</td> <td>9%</td> </tr> </tbody> </table>	Guest Type	Proportion	Foreign Guests	91%	Nepalese Guests	9%
Guest Type	Proportion						
Foreign Guests	91%						
Nepalese Guests	9%						
Community Homestays	<p><b>PROPORTION OF FOREIGN GUESTS VERSUS NEPALESE GUESTS IN COMMUNITY HOMESTAYS 2019</b></p> <p>■ Foreign Customers ■ Nepalese Customers</p>  <table border="1"> <thead> <tr> <th>Customer Type</th> <th>Proportion</th> </tr> </thead> <tbody> <tr> <td>Foreign Customers</td> <td>91%</td> </tr> <tr> <td>Nepalese Customers</td> <td>9%</td> </tr> </tbody> </table>	Customer Type	Proportion	Foreign Customers	91%	Nepalese Customers	9%
Customer Type	Proportion						
Foreign Customers	91%						
Nepalese Customers	9%						
Private Homestays	<p><b>PROPORTION OF FOREIGN GUESTS VERSUS NEPALESE GUESTS IN PRIVATE HOMESTAYS 2019</b></p> <p>■ Foreign Guests ■ Nepalese Guests</p>  <table border="1"> <thead> <tr> <th>Guest Type</th> <th>Proportion</th> </tr> </thead> <tbody> <tr> <td>Foreign Guests</td> <td>91%</td> </tr> <tr> <td>Nepalese Guests</td> <td>9%</td> </tr> </tbody> </table>	Guest Type	Proportion	Foreign Guests	91%	Nepalese Guests	9%
Guest Type	Proportion						
Foreign Guests	91%						
Nepalese Guests	9%						

The reasons for the strong dominance of foreign customers over Nepalese customers, as explained by the KII respondents are as follows:

a) The concept of Homestay

The Concept of Homestay revolves around experiencing the lifestyle of people living in the particular location of stay. In the case of Nepal, it means living in a Nepalese household, experiencing the lifestyle of a Nepalese. This concept is suitable for experience seeking tourists who have a different lifestyle and household scenario from the Homestay that they visit. Many Nepalese people have a similar lifestyle and household scenario, making it less suitable for Nepalese customers and more suitable for foreign customers.

However, on the contrary, it can be argued that Nepal being a country with diverse culture, and it is still possible for Homestays to target Nepalese customers, with different lifestyle and household scenarios. In order to do so, marketing will be the key ingredient. However, through research, it was found that the Homestays have developed their marketing strategies targeting only towards foreigners.

b) Product development

Since Homestays have been welcoming larger number of foreign customers since the beginning of its existence (in 2011, during Nepal Tourism Year, as mentioned in Chapter 2) the experience-based products developed by them are targeted towards foreigners. Due to this, the projection for sales has been targeted towards the foreign tourists as well. This projection includes the marketing done by the Homestays.

Almost 90% of the respondent Homestays have market their prices on digital platforms in US dollars. Some websites however have included the option of converting the prices in Nepali Rupees or NRS.

c) Willingness to pay

Homestay Industry, like many other accommodation industries, is a labor-based industry. In fact, in terms of Homestays, almost 100% of the respondent Homestay affiliated home owners are actively involved providing Homestay services with no help from a 3rd person. Even for the remaining homes hiring

employees, only a very minimal number of employees are hired, and they do not play a significant role in the Homestay services. This allows the Homestays to provide a one-of-a-kind service to their customers.

However, through research it was understood that compared to the Nepalese customers, foreign customers are more appreciative towards such services provided, increasing their willingness to pay for services provided.

d) Preference of Homestay representatives for foreign customers

About 10% of the respondent Homestays shared reservations about welcoming Nepalese tourists into their homes. They shared that in terms of Homestay business, it is not enough to consider business and economic factors while welcoming guests. Since guests are welcomed into the homes and mingled with the family members of the host family, they shared the importance of ensuring to welcome customers who are able to understand the household scenario and maintain at least a minimum decency while living with the host families. The respondents shared that the foreign guests are more willing to understand these factors, and corporate.

#### ***5.1.4 Financial Resilience in 2019***

In the year 2019, out of the 77 Homestay affiliated homes, only 33 had taken loans from BFIS. Of these 33 homes, 20 of them were paying interest rates of about 10% to 15%.

In terms of Community Homestay affiliated homes, out of the 65 homes, only 26 homes were taking loans from the banks and in terms of Private Homestay affiliated homes, 7 out of 12 homes were taking loans from the banks.

Table 5.4 presents the information explained. The percentage listed represents the percentage of interest rates under which the loans have been take. This means if a household affiliated to Homestay had taken a loan while paying an interest rate of 10%, this particular household will be listed under 6%-10% Frequency. The number of Homestay affiliated homes listed under the 0% frequency section are the households that had not taken any loans.

**Table 5.4***Loans taken from banks and interest rates paid in the year 2019*

<b>Years</b>	<b>No loan Frequency</b>	<b>1%-5% Frequency</b>	<b>6%-10% Frequency</b>	<b>11%-15% Frequency</b>
Overall	44	0	13	20
Community Homestays	39	0	9	17
Private Homestays	5	0	4	3

From the 33 homes that had taken loans before the pandemic, about 68% of them had taken loans for more than 5 years prior to pandemic, primarily during the initial phases of the business. However, the remaining 32% of the Homestays had taken loans recently, primarily in order to prepare themselves for the year 2020, which was supposed to be the Visit Nepal Year.

With the hopes of the year 2020 being a prosperous year, respondents were expecting to be able to generate sufficient funds to pay back their debts. But the pandemic painted an entirely different picture, leading to additional depths.

The major issue faced by respondent Homestays while taking loans were said to be the requirement of lengthy documentation, lack of awareness, and lack of support and guidance from the BFIs, which will be further discussed in chapter 6.

The loans are taken mainly from commercial banks and development banks. No respondent Homestays have opted for microfinancing options due to a lack of awareness, and a preference for commercial and development banks, especially in terms of trust and reach factors. A few commercial banks in Kathmandu Valley have reportedly shown great support to Homestays, as claimed by Homestay experts, but this cannot be said for all banks. It was also found through research that some banks in the

valley do not accept loan applications from Homestays, regardless of the documentation provided.

## **5.2 Economic Condition of Homestays Industry During-Pandemic Phase**

In this section, the worsening situation of the Homestay Industry in the years 2020 and 2021 is discussed. It is important to understand that during these 2 years, Nepal faced 2 long lockdown periods and an ongoing travel restriction throughout. However, the intensity of the travel restrictions fluctuated during these times, as presented in chapters 1 and 2. Due to this, the travelers footfalls rates decreased exceedingly, affecting the overall Tourism Sector, including the Homestay Industry.

### **5.2.1 Overall Performance of Homestays**

#### **2020**

At the beginning of 2020, before the pandemic was declared, the Homestays were still very hopeful and excited for the economic year. The Homestays had already recorded several reservations, and had already started hosting guests as well.

*“The beginning of 2020 was very exciting. With the bookings coming in, we were preparing ourselves to handle a busy economic year.” - (Owner, Community Homestays, Bhaktapur)*

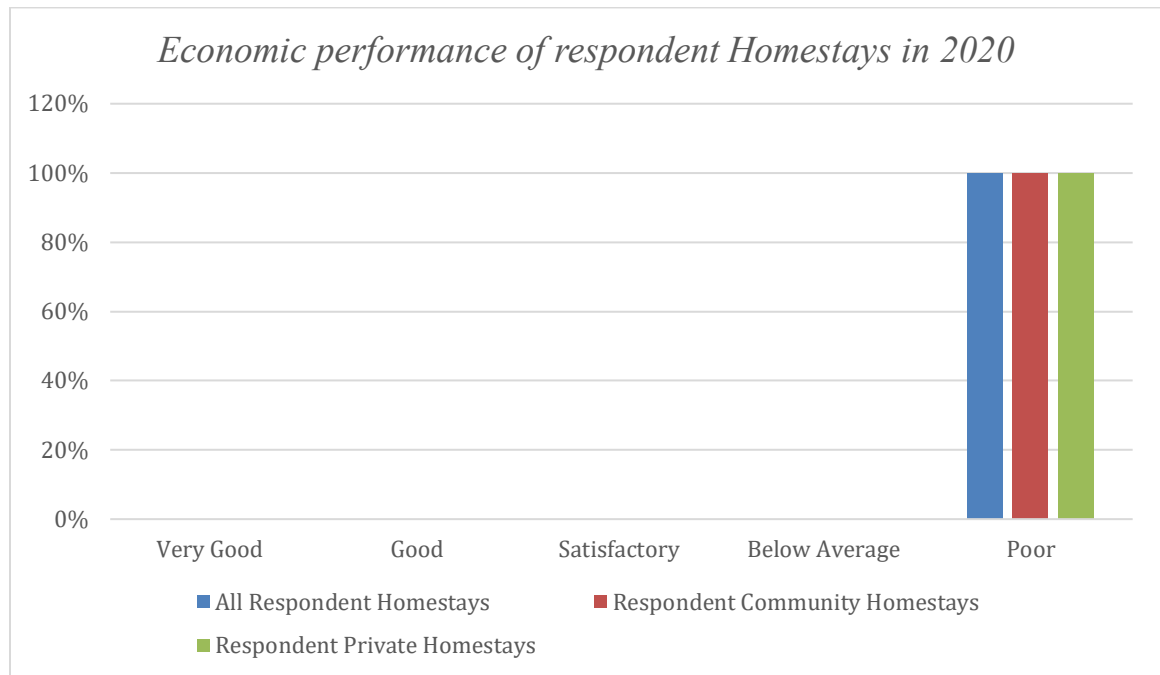
However, the declaration of the pandemic, and the sudden lockdown placed by the government suddenly changed the entire scenario in the industry. The Homestays were not expecting such sudden changes. Homestays that were hosting guests at that time were unable to help their guests fly back to their countries on time, forcing the guests to live with them for an extended period of time.

*“When the lockdown was announced, we were already hosting 2 foreign guests. Since the international airport was closed down suddenly, our guests were not able to secure a flight back to their homes on time. They ended up living with us for almost 6 months.” - (Owner, Private Homestay, Kathmandu)*

100% of the respondent Homestays claimed that their economic performance in the year 2020 was poor, as presented in Figure 5.3.

**Figure 5.3**

*Economic performance of respondent Homestays in 2020*



## 2021

The economic year 2021 was a difficult year for the Homestay Industry. The respondents claimed that the economic recovery seemed hopeless. Though there was about an 8 to 9 months period when the lockdown was lifted between the years 2020 and 2021, the Homestays were not able to benefit from it. The tourist footfalls were very low and the Homestays themselves were not willing to take in guests due to the risk of virus transfer. Especially since the Homestays host guests in their own houses, they could not risk exposing their families to guests.

*“We felt hopeless from the very start. Our focus was only on protecting ourselves. Especially since my mother-in-law, who is 76 years old lives with us, bringing in guests was just not an option for us. It was a time of anxiety and fear.” - (Owner, Private Homestay, Lalitpur)*

However, on the other hand, some respondent Homestays saw this as an opportunity to do renovation and construction work that could not have been done when there were guests living with them.

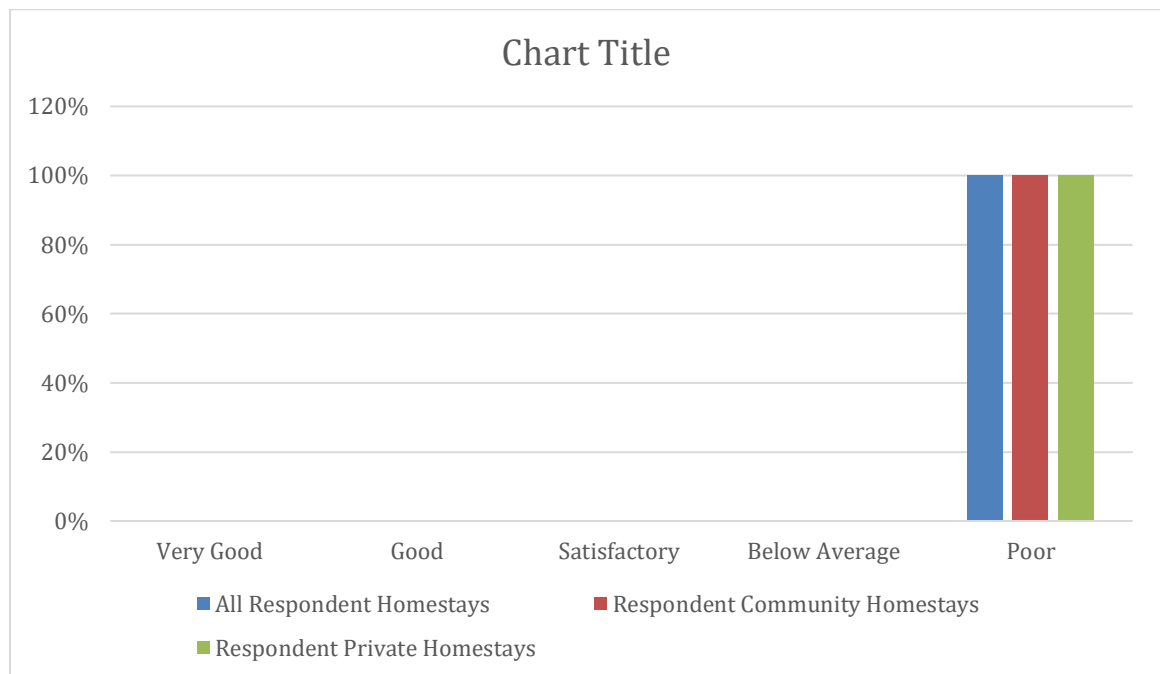
*“When the lockdown first hit, we were all in shock and in panic mode. But once the lockdown was lifted and the COVID-19 cases started decreasing, we*

*regained confidence and thought this would end sooner or later. We cannot be wasting time. So, I gathered my fellow Community Homestay affiliated homes and proposed to them that we should start working on renovating our homes and start getting ready for the upcoming years. Since we work in our own homes, we do not have to pay rent and since we work by ourselves, we do not have to pay salaries as well. So, we were able to close down the business and renovate our houses during this pandemic period. Since most people did not have work during this time, we were able to hire cheap labor for the construction work. We were also able to take loans from the bank at a very low interest rate.” - (Owner, Community Homestays, Bhaktapur).*

100% of the respondent Homestays claimed that their economic performance in the year 2021 was poor, as presented in Figure 5.4.

**Figure 5.4**

*Economic performance of respondent Homestays in 2021*



It can clearly be seen that the economic condition of the Homestay Industry worsened dramatically during these 2 years.

### ***5.2.2 Profit generated by Homestays in the years 2020 and 2021***

#### **2020**

In the year 2020, as presented in Table 5.4, many respondent Homestays generated huge losses. 25% of the homes generated losses of more than NRS 102,000, whereas only 25% of them were able to generate losses of less than NRS 2,000. The maximum profit generated was 210,000 and the maximum loss generated was NRS 1,536,000. Loss of NRS 19,200 marked the 50% mark of losses generated and the average loss was NRS 317,293.

In terms of Community Homestay affiliated homes, the maximum loss generated was of NRS 1,536,000 and the maximum profit generated was of NRS 14,000. More than 25% of the homes generated losses of more than NRS 1,104,000 and only 25% of the homes generated losses of less than NRS 9,720. The 50% mark of losses generated was of NRS 21,000 and the average loss generated was of NRS 380,417.

In terms of respondent Private Homestay affiliated homes however, more than 75% of them were able to generate profit, even during the pandemic period, though compared to the profits generated in the pre-pandemic phase, the profit generated were much less. 25% of the population generated profit of less than NRS 15,040 and 25% of the population made profit of more than NRS 210,000. NRS 20,600 marked the 50% mark of profit generated and the average profit generated was NRS 24,627.

Compared to the profits generated in the year 2019, a significant worsening of the financial performance can be seen, both in terms of Community and Private Homestay affiliated homes. This shows the extent to which the pandemic affected the financial performance of the Homestays in the year 2020.

Comparing the profit generated and the losses made by the respondent Community and Private Homestay affiliated homes, the respondent Community Homestay affiliated homes were more affected by the pandemic than the Private Homestay affiliated homes. More than 75% of the Community Homestay affiliated homes generated losses in the year 2020, whereas less than 25% of the Private Homestay affiliated homes generated

losses. Though compared to 2019, the profits generated have decreased, most Private Homestays affiliated homes were still in surplus in the year 2020.

As per the result of Welch's t-test conducted, the P-value of 1 tail test conducted is 0.00, signifying that there is a significant difference between the profits generated by Community and Private Homestay affiliated homes, in the year 2020.

Similarly, with reference to Whitney's U test, the p-value of the test was 0.00 signifying that there is a significant difference between the profits generated by Community and Private Homestay homes, in the year 2020.

**Table 5.5**

*Measures of central tendency for profit generated by Homestays in 2020.*

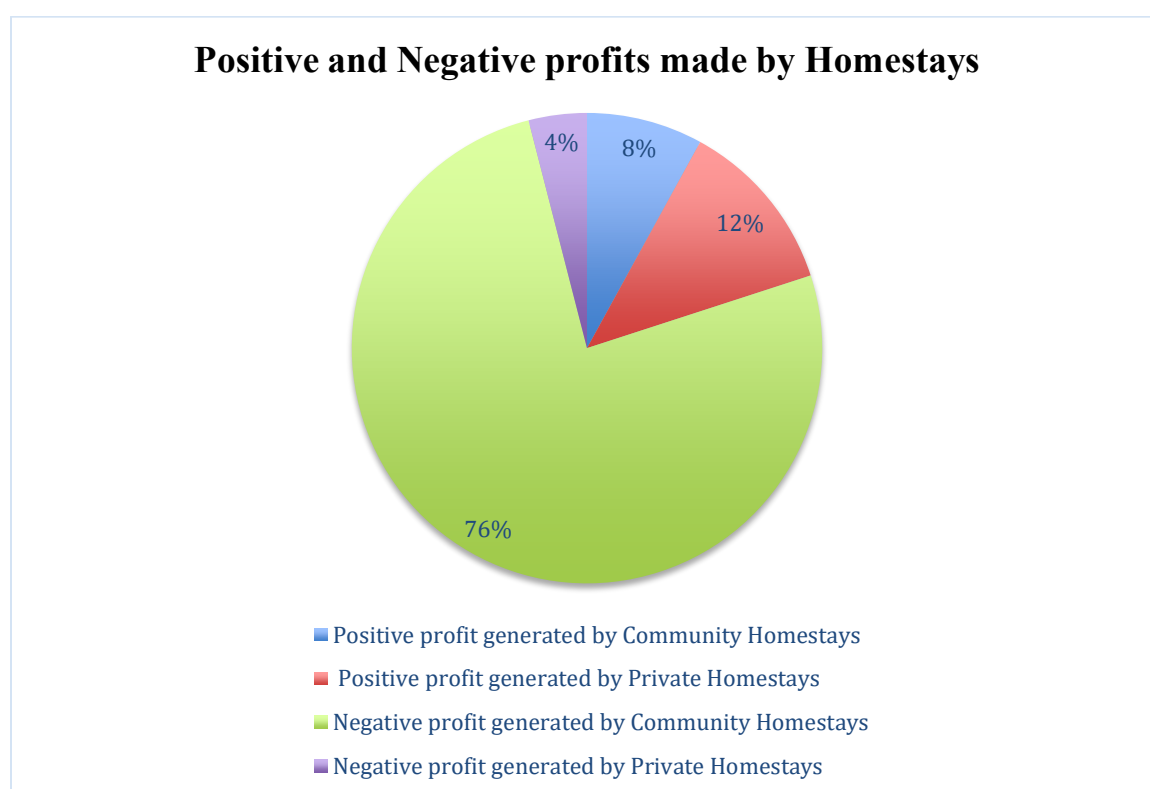
<b>Homestays</b>	<b>Minimum</b>	<b>Q1</b>	<b>Median</b>	<b>Mean</b>	<b>Q3</b>	<b>Maximum</b>	<b>Total Sample</b>
<b>All</b>	-1,536,000	-102,000	-19,200	-317,293	-2,000	210,000	77
<b>Community</b>	-1,536,000	-1,104,000	-21,000	-380,417	-9,720	14,000	65
<b>Private</b>	-99,995	15,040	20,600	24,627	27,200	210,000	12

As presented in Figure 5.5, 80% of the Homestays among the respondent Homestays were making negative profits in the year 2020, amongst whom 76% were a part of Community Homestays and only 4% were a part of Private Homestays. This is a significant shift from the data presented for the year 2019, as presented in Figure 5.1. With 0% Homestays making a negative profit in 2019, in 2020, majority of the Homestays have recorded to have made negative profit.

Comparing the profits generated by Community and Private Homestays, it can be seen that majority of the Community Homestays made a negative profit in 2020, whereas majority of Private Homestays made a positive profit. This again reflects the resilience of Private Homestays during the pandemic, compared to Community Homestays.

**Figure 5.5**

*Homestays making positive and negative profit*



### **Factors affecting the profits generated**

With reference to Table 5.6, it can be understood that in the year 2020, the factors affecting the profit generated were average occupancy of foreign guests, loan taken and maintenance cost. While the number of average occupancies of foreign guests had positive impact on the profit generated, loan taken and maintenance cost had negative impact.

Compared to the year 2019, it can be seen that the number of rooms and the average length of stay did not have an impact on the profit generated in 2020, unlike the year 2019. This shows that due to the decrease in customers footfall, the significance of these

factors also decreased as well. Another opposing factor found in 2020 was that the average occupancy of foreign guests impacted positively on the profits generated. This showed that the Homestays that were able to host higher foreign guests in the year 2020 made a larger profit. The number of foreign guests decreased to a bare minimum in the year 2020 after the declaration of the pandemic, and almost no respondent households were able to host them.

Before the declaration of the pandemic however, several homes were hosting foreign travelers. A KII respondent Homestay representative also stated that due to the sudden declaration of the pandemic and the immediate closer of the international airport, foreign traveler living with them were forced to stay back in Nepal for 6 months. Due to the suddenness of the situation, the host hosted the guest in a discounted rate.

**Table 5.6*****Multiple regression analysis results***

No.	Variables (X)	Dummy	Coff.	p-value
	Intercept		150300	.00***
1	Number of Rooms (X1)		-66530	.1
2	Average Length of Stay		52.4	.9
3	Number of Employees		71060	.7
4	Average occupancy of Foreign Guests		14570	.06.
5	Average occupancy of Domestic Guests		-188.6	.9
6	Loan Taken	Yes = 1 No = 0	-367800	.02*
7	Interest Rate	1% -5% = 1 6% - 10% = 2 11% - 15% = 3	- 3500 - 12874 - 11152	.9 .4 .1
8	Maintenance Cost		- 6434	.002**

Here,

Total number of sample (n) was 77,  $r^2$  was 0.2, and the p-value was 0.002. Significance had been carried out at 10% level.

**2021**

In the year 2021, from table 5.6, the financial performances of the Homestay affiliated homes are seen to be very similar to that of the year 2020. More than 75% of the homes made losses, with the maximum loss being NRS 1,209,800. The maximum profit made was of NRS 23,600, a significant decrease compared to the year 2019 (pre-pandemic

phase). 25% of them made a loss of more than NRS 30,600 and only 25% of them made a loss of less than NRS 216. NRS 18,000 was marked as the 50% mark of losses generated and the average loss generated was of NRS 253,384.

In terms of Community Homestays more than 75% of the respondent homes made losses of more than NRS 9,000, which is very similar to that of the year 2020. More than 25% of the homes made a loss of more than NRS 940,700 and only 25% of the homes made losses of less than NRS 9,000. NRS 20,700 marked the 50% mark of the losses made and the average loss made was of NRS 299,052.

In terms of respondent Private Homestay affiliated homes, the maximum loss generated was of NRS 89,995 and the maximum profit generated was of NRS 23,600, which is much lower compared to the maximum profit generated in 2020 as well. More than 25% of the homes made losses of more than NRS 1,230 and more than 25% of the homes made a profit of more than NRS 2,720. NRS 1,760 marked as the 50% mark of the profits generated and the average loss generated was of NRS 6,020.

Comparing the profits and losses generated by respondent Private and Community Homestays in the year 2021, it can be seen that the financial performance of Community Homestay affiliated homes was much worse than that of Private Homestay affiliated homes. More than 50% of the Private Homestay affiliated homes were able to secure an income surplus whereas less than 75% of the Community Homestay affiliated homes were able to secure income surplus.

As per the result of Welch's t-test conducted, the P-value of 1 tail test conducted is 0.00, signifying that there is a significant difference between the profits generated by Community and Private Homestay affiliated homes, in the year 2021 as well.

However, with reference to Whitney's U test, the p-value of the test was 0.3 signifying that there is no significant difference between the profits generated by Community and Private Homestay homes, in the year 2021. Possible reasons for this could be the follows:

- a) Since both the types of Homestays suffered massively from the pandemic, the profits of both Homestays have decreased to a point that the significance between their differences have reduced considerably.
- b) With reference to KII respondent Homestay representatives, in the year 2021, all Homestays mainly focused on cutting down of their cost to minimize losses. With reference to Table 5.6 also, it can be understood that the maintenance cost of the Homestays was insignificant during this year.

**Table 5.7**

*Measures of central tendency for profit generated by Homestays in 2021.*

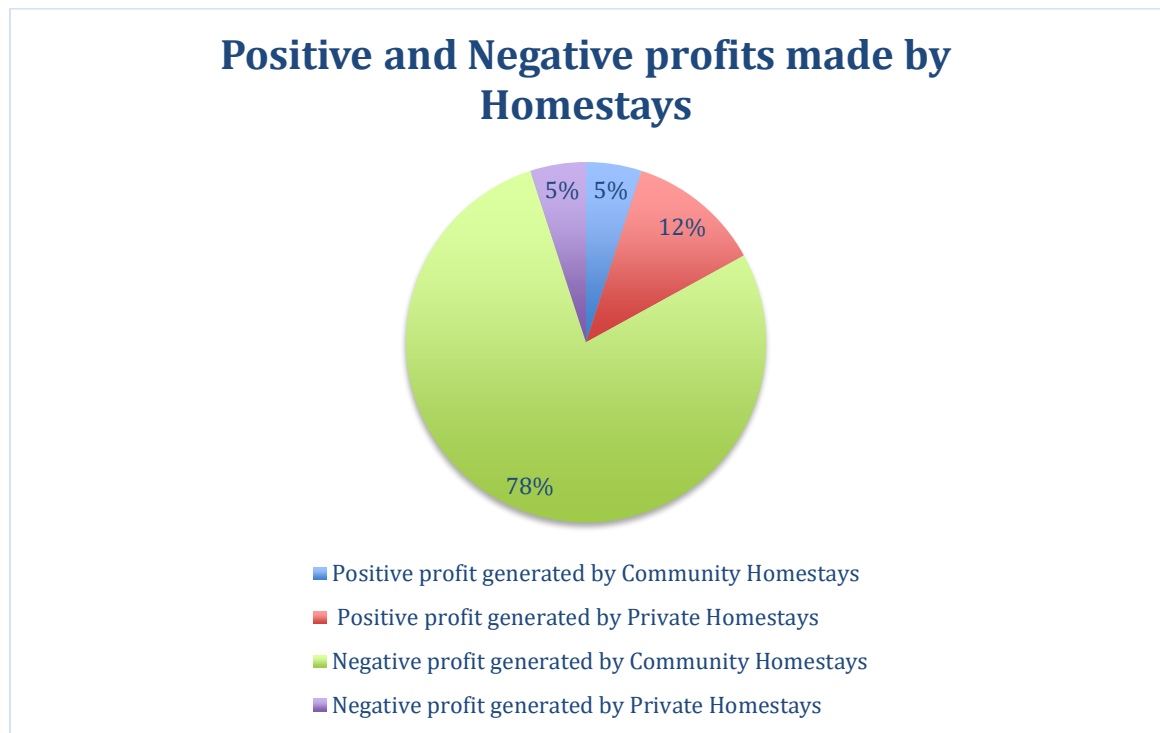
<b>Homestays</b>	<b>Minimum</b>	<b>Q1</b>	<b>Median</b>	<b>Mean</b>	<b>Q3</b>	<b>Maximum</b>
<b>All</b>	-1,208,800	-30,600	-18,000	-253,384	-216	23,600
<b>Community</b>	-1,208,800	-940,700	-20,700	-299,052	-9,000	21,000
<b>Private</b>	-89,995	-1,230	1,760	-6,020	2,720	23,600

As presented in Figure 5.3, 83% of the Homestays among the respondent Homestays were making negative profits in the year 2021, amongst whom 78% were a part of Community Homestays and only 5% were a part of Private Homestays. This situation is again almost identical to the situation of the year 2020, with only a further slight increase in the negative profits generated by both types of Homestays.

Comparing the situation of Community and Private Homestays, it can again be seen that the Private Homestays were more resilient compared to Community Homestay in 2021 as well.

**Figure 5.6**

*Homestays making positive and negative profit*



### **Resilience of Private Homestays over Community Homestay**

In order to understand the reason for which the Private Homestays were seen to be more resilient compared to Community Homestays, 2 features of Private Homestay mentioned by KII respondent number 7 can be considered. The 2 factors are as follows:

- i) Independence and liberty: Since Private Homestays perform their overall activities independently, they have the liberty to make quick decisions when needed. In this case, when the pandemic was declared, there were many decisions that were needed to be taken immediately, like sending back their guests to their home countries before the closer of international borders and airport, immediate closing down and opening of their Homestays according to the governmental orders, changes of previously developed programs, and so on. This feature of theirs helped the Homestays to minimize risks, and grab opportunities, even during pandemic period.
- ii) Controllable number of guests: Since the capacity of Private Homestays are small, the number of guests hosted by them are small as well. During

the pandemic period, there were many changes that needed to be adopted by the Tourism Sector. For instance, the COVID-19 protocol needed to be placed. It was easier for the Private Homestays with smaller number of guests to effectively follow the new protocol. From the perspective of the guests as well, since they are aware of the size of guests hosted by these Homestays, they are aware that they will not have to come in close contact with a large number of individuals, making them feel safer during pandemic period.

### **Factors affecting the profits generated**

With reference to Table 5.8, it can be understood that in the year 2021, the only factors affecting the profit generated were average occupancy of domestic guests and loan taken. The number of average occupancies of domestic guests had positive impact on the profit generated and loan taken had negative impact.

Similar to the year 2020, it was found that the number of rooms and the average length of stay did not have an impact on the profit generated, unlike the year 2019, showing the impact of decreasing customers footfall. The average occupancy of domestic guests impacted positively on the profits generated in 2021. This shows the positive impact of Homestays choosing to host Nepalese guests as a strategy to recover from the pandemic (further discussed in chapter 6).

A major difference found was that the maintenance cost did not have an impact on the profit generated, unlike the years 2019 and 2020. With reference to KII respondent Homestay representative, since maintenance and the costs of it was seen to be one of the major challenges faced by the Homestays during the pandemic, households had stopped maintaining their homes to reduce immediate cost. This was one of the survival measures used by them. The result shown on Table 5.8 can be a result of that measure taken.

**Table 5.8*****Multiple regression analysis results***

No.	Variables (X)	Dummy	Coff.	p-value
	Intercept		3195	.07.
1	Number of Rooms (X1)		-3241	.9
2	Average Length of Stay		-87990	.6
3	Number of Employees		-124500	.3
4	Average occupancy of Foreign Guests		12290	.2
5	Average occupancy of Domestic Guests		422	.02*
6	Loan Taken	Yes = 1 No = 0	-87990	.06.
7	Interest Rate	1% -5% = 1 6% - 10% = 2 11% - 15% = 3	- 8725 - 35542 - 34554	.4 .4 .6
8	Maintenance Cost		- 1266	.4

Here,

Total number of sample (n) was 77,  $r^2$  was 0.5, and the p-value was 0.00. Significance had been carried out at 10% level.

### ***5.2.3 Customer Type in 2020 and 2021***

#### **2020**

In the year 2020, like the year 2019, majority of the customers welcomed by the Homestays were foreign guests, due to the reasons specified in section 5.1.3. However,

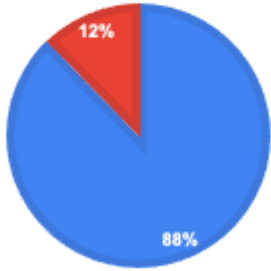
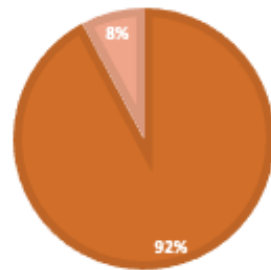
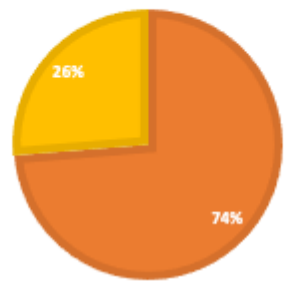
compared to the year 2019, or the pre-pandemic phase, the proportion of Nepalese customers, particularly in the context of Private Homestays increased.

This is due to 2 specific reasons, the first being the massive decrease of foreign tourist footfalls in the country, resulting due to the lockdowns and travel restrictions placed. This naturally increased the proportion of Nepalese travelers compared to foreign travelers. The second reason for this, particularly in terms of Private Homestays, was due to the strategic move made by some respondent Homestays to extend their services to fit the needs of Nepalese customers.

*“Our Homestays have been focused on foreign customers for a very long time. This has been happening naturally since Nepalese customers do not show interest in staying at the homes of Nepalese people. As a result, we even focused on developing programs focusing only on foreign guests. However, since the declaration of the pandemic, we were unsure about when the foreign customers will start coming to Nepal again. So, we decided to develop programs suitable especially for Nepalese guests. For example, we held a teej party at our Home for Nepalese women and arranged accommodation to stay over for the night.”-*  
(Owner, Private Homestays, Lalitpur)

The average number of foreign customers welcomed was only 5 and the average number of Nepalese customers was only 1 in the year 2020.

**Table 5.9***Proportion of Foreign Guests versus Nepalese Guests in 2020*

Homestays	Proportion of Foreign Guests versus Nepalese Guests						
Overall	<p><b>PROPORTION OF FOREIGN GUESTS VERSUS NEPALESE GUESTS IN 2020</b></p> <p>■ Foreign Guests ■ Nepalese Guests</p>  <table border="1"> <thead> <tr> <th>Guest Type</th> <th>Proportion</th> </tr> </thead> <tbody> <tr> <td>Foreign Guests</td> <td>88%</td> </tr> <tr> <td>Nepalese Guests</td> <td>12%</td> </tr> </tbody> </table>	Guest Type	Proportion	Foreign Guests	88%	Nepalese Guests	12%
Guest Type	Proportion						
Foreign Guests	88%						
Nepalese Guests	12%						
Community Homestays	<p><b>PROPORTION OF FOREIGN GUESTS VERSUS NEPALESE GUESTS IN COMMUNITY HOMESTAYS 2020</b></p> <p>■ Foreign Customers ■ Nepalese Customers</p>  <table border="1"> <thead> <tr> <th>Customer Type</th> <th>Proportion</th> </tr> </thead> <tbody> <tr> <td>Foreign Customers</td> <td>92%</td> </tr> <tr> <td>Nepalese Customers</td> <td>8%</td> </tr> </tbody> </table>	Customer Type	Proportion	Foreign Customers	92%	Nepalese Customers	8%
Customer Type	Proportion						
Foreign Customers	92%						
Nepalese Customers	8%						
Private Homestays	<p><b>PROPORTION OF FOREIGN GUESTS VERSUS NEPALESE GUESTS IN PRIVATE HOMESTAYS 2020</b></p> <p>■ Foreign Guests ■ Nepalese Guests</p>  <table border="1"> <thead> <tr> <th>Guest Type</th> <th>Proportion</th> </tr> </thead> <tbody> <tr> <td>Foreign Guests</td> <td>74%</td> </tr> <tr> <td>Nepalese Guests</td> <td>26%</td> </tr> </tbody> </table>	Guest Type	Proportion	Foreign Guests	74%	Nepalese Guests	26%
Guest Type	Proportion						
Foreign Guests	74%						
Nepalese Guests	26%						

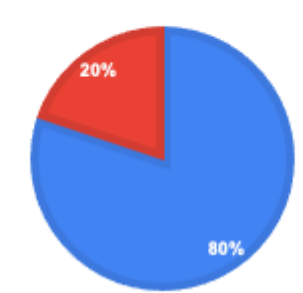
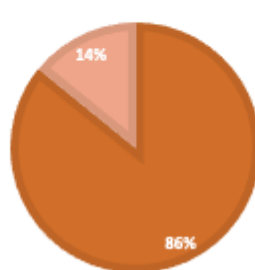
## 2021

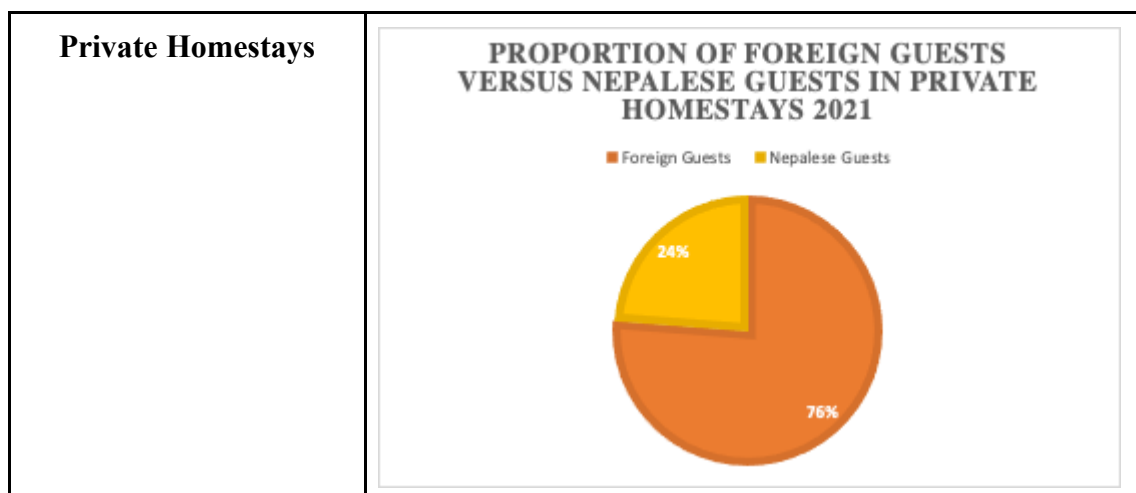
In the year 2021, again similar to 2019 and 2020, the proportion of foreign customers is higher than the proportion of Nepalese customers due to the reasons specified in section 5.1.3. Compared to the years 2019 and 2020 however, the proportion of Nepalese customers in 2021 are slightly higher, as presented in Table 5.10.

Witnessing the increase in the proportion of Nepalese travelers in 2021, it can be understood that the decreasing number of foreign travelers have further increased in the year 2021, and also the strategies used by the Homestay to attract Nepalese customers have succeeded to a certain extent.

**Table 5.10**

*Proportion of Foreign Guests versus Nepalese Guests in 2021*

Homestays	Proportion of Foreign Guests versus Nepalese Guests						
Overall	<p><b>PROPORTION OF FOREIGN GUESTS VERSUS NEPALESE GUESTS IN 2021</b></p>  <p>Legend: Foreign Guests (blue), Nepalese Guests (red)</p> <table border="1"> <thead> <tr> <th>Guest Type</th> <th>Proportion</th> </tr> </thead> <tbody> <tr> <td>Foreign Guests</td> <td>80%</td> </tr> <tr> <td>Nepalese Guests</td> <td>20%</td> </tr> </tbody> </table>	Guest Type	Proportion	Foreign Guests	80%	Nepalese Guests	20%
Guest Type	Proportion						
Foreign Guests	80%						
Nepalese Guests	20%						
Community Homestays	<p><b>PROPORTION OF FOREIGN GUESTS VERSUS NEPALESE GUESTS IN COMMUNITY HOMESTAYS 2021</b></p>  <p>Legend: Foreign Customers (dark orange), Nepalese Customers (light orange)</p> <table border="1"> <thead> <tr> <th>Customer Type</th> <th>Proportion</th> </tr> </thead> <tbody> <tr> <td>Foreign Customers</td> <td>86%</td> </tr> <tr> <td>Nepalese Customers</td> <td>14%</td> </tr> </tbody> </table>	Customer Type	Proportion	Foreign Customers	86%	Nepalese Customers	14%
Customer Type	Proportion						
Foreign Customers	86%						
Nepalese Customers	14%						



Comparing the proportion of Nepalese customers welcomed by Community and Private Homestays, it can be seen that Private Homestays have welcomed a larger number of Nepalese customers both in the years 2020 and 2021. This shows the flexibility of Private Homestays, as they were able to target domestic customers during this time. Though their original structure and marketing strategy targeted foreign customers particularly, during the pandemic, there were able to make this shift a target Nepalese customer as well.

#### ***5.2.4 Financial Resilience in the years 2020 and 2021***

From Table 5.8, it can be seen that almost 50% of the respondent Homestays that did not require loans in the past have taken loans from the banks after the declaration of pandemic. This clearly shows the weakening of financial resilience of the respondent Homestays, caused by the pandemic.

Another factor that needs to be highlighted from the information generated and presented in Table 5.8 is the huge increase of loans taken with interest rates of 1% to 5%. These loans provided with minimal interest rates were a part of the support provided by the government, with the intention of providing reliefs to the businesses most affected by the pandemic. This will be further discussed in chapter 7.

In terms of the difference between the Community and the Private Homestays, it can be seen that the number of Community Homestay affiliated homes taking loans after the declaration of the pandemic has increased significantly. On the other hand, the number of Private Homestay affiliated homes taking loans have remained the same.

However, it is also important to note that the number of Homestays taking loans at 10%-15% interest rate has decreased, whereas the number of Homestays taking loans at 6%-10% has increased. This shows that there were 2 new Private Homestay affiliated homes taking loans and 2 Private Homestay affiliated homes previously taking loans have paid off the debts.

**Table 5.11**

*Loans taken from banks and interest rates paid in the year 2020*

<b>Years</b>	<b>No Loan</b>	<b>1%-5% Frequency</b>	<b>6%-10% Frequency</b>	<b>10%-15% Frequency</b>
Overall	23	19	16	19
Community Homestays	18	19	9	18
Private Homestays	5	0	6	1

In the year 2021, from Table 5.12, it can be seen that the same number of respondent Homestays opted for loans at lower interest rates provided by the NRB as a relief measure.

**Table 5.12***Loans taken from banks and interest rates paid in the year 2021*

<b>Years</b>	<b>No Loan</b>	<b>1%-5% Frequency</b>	<b>6%-10% Frequency</b>	<b>10%-15% Frequency</b>
Overall	23	19	16	19
Community Homestays	18	19	9	18
Private Homestays	5	0	6	1

After the pandemic hit, the loans were taken for 2 reasons. For a section of respondent homes, the loans were no longer taken as a strategic move for further growth and innovation like the previous years, but as a source of survival. For a larger proportion of homes, the pandemic was seen as an opportunity to be able to implement necessary development, mainly infrastructural development, which would not have been possible when there were guests coming in. They took loans at a reduced rate, hired manpower at a cheaper price, and started the renovation process, which will be further discussed in chapters 6 and 7.

### **5.3 Economic Condition of the Homestays Industry in the Current Phase**

To analyze the current phase of the pandemic, the year 2022 was considered. This year has been separated from the years 2020 and 2021, despite the fact that the pandemic is yet to be lifted, since the situation of Nepal, with reference to its Tourism Sector, has improved to a considerable extent. This is mainly due to the removal of travel restrictions for all vaccinated travelers by the government, making travel more accessible and affordable for travelers.

However, while discussing this phase, it is essential to understand that the data used for the year 2022 is data generated through the predictions made by respondents. The

respondents have predicted the provided data on the basis of the improving situation of the country and their businesses performances.

Hence it is essential to note that the financial performances of the Homestays recorded for the year 2022 may not be precise. There are several factors that can affect these predictions such as the war that is currently taking place in Europe, the potential risk of a global recession, economic decline and inflation rises in the countries from which the guests travel to Nepal, political instability in Nepal, the possibility of more COVID-19 outbreaks, possible outbreaks of other diseases like dengue, and so on.

### **5.3.1 Overall Performances of the Homestays**

The year 2022 has come as a relief to the Homestays Industry. In March 2022, Nepal was declared “Fully Open for Fully Vaccinated Tourists”.

Since the Homestays have not been able to practice their hospitality skills for the past 2 years, and since the additional emphasis is required to be put on COVID-19 protocols, training is essential for adaptation into the new normal scenario. This has been recognized by Homestay Experts, who are currently planning on developing such training programs.

*“With the constant concern regarding health and safety issues amongst travelers, Homestays require proper guidance to adapt to the new normal scenario. They will need the training to do so. We are also concerned about travelers not trusting the sanitation levels of the Homestays in the days to come. Having certified training may help ease this issue. We are working on developing a training program that will best suit the Homestays.” - (Homestays Expert, Kathmandu)*

Some Homestays on the other hand are unsure about the scenario. They are concerned about the possible COVID-19 outbreaks, leading them to a scenario similar to the years 2020 and 2021. “The pandemic is not over,” they say a Community Homestay owner, Bhaktapur. *“It is far too soon to be celebrating.”*

However, most respondents are expecting at least satisfactory economic performances for the year 2022, as presented in Figure 7. Homestay Experts however are confident

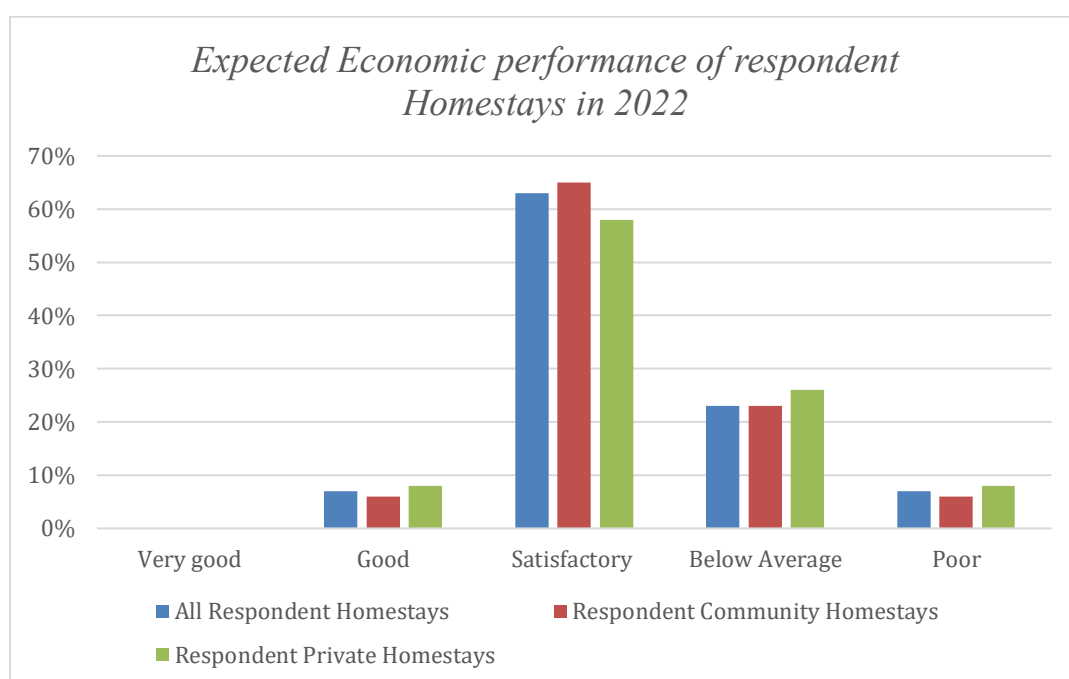
that the industry will bounce back sooner rather than later. They say that Nepal is blessed with the power of attracting tourists, and as long as the Homestays are able to adjust to the new normal scenario, they should be able to bounce back.

*“This is not the first time for the tourism industry to go through a difficult time. Let's take the devastating earthquake and its effect on the Tourism Sector for an instance. Within a year or so, Nepal was able to almost regain tourist footfalls. As long as the Homestay Industry is able to maintain health and sanitation standards, tourists will start coming in. Tourism is going to regain momentum.”*  
 - (Homestay Expert, Kathmandu)

With reference to Figure 7, it can be noted that more than half of the respondents are experiencing satisfactory financial performance for the year 2022. More than 25% of the Homestays are still predicted to perform below average to poorly in the year 2022 showing that these Homestays are still expecting to take a longer period of time to recover from the pandemic.

**Figure 5.7**

*Expected Economic performance of respondent Homestays in 2022*



When further discussing the reasons for which the respondent Homestays were not confident about the financial performances of their Homestays, they discussed the uncertainties that followed the pandemic and the reservations that customers have.

In terms of uncertainty, the COVID-19 situation of many countries, including Nepal, has been fluctuating over the years. Even though now, in 2022, the reported cases are significantly low compared to previous years, travelers and Homestay representatives are hesitant to take the risk of accepting guests. In order to deal with this issue, it is essential for Homestays to ensure that all COVID-19 prevention measures are taken. It is not only enough to take these measures, but to also communicate with the potential guests about the measures taken. However, the Homestays are not being able to do this, leading to customers having reservations about them.

Customer reservation regarding the safety and hygiene situation for travelers in Nepal, and in Homestays was seen as a major concern for the Homestays experts. With travel restrictions now being removed, a COVID-19 protocol is more important. NTB sets, and regularly updates the COVID-19 protocol expected to be followed by the Tourism Sector as a whole. However, it is important to consider that Homestay Industry is a unique industry within the sector, where customers live in the personal homes of the host families. This makes the service providers, along with their family members even more vulnerable to the spread of virus. Even in terms of the service recipient, it is more challenging for them to escape getting infected if the service provider is infected. There are no specific COVID-19 guidelines developed by the government particularly for the Homestay Industry, making the situation problematic.

To deal with this issue and to provide an opportunity for Homestays to be accountable, Community Homestay Network, a private sector organization has developed a COVID-19 guidelines for Homestays particularly, which they circulated within the Homestays that are under their network. The guidelines developed by them can be found in Appendix F.

It is important to note here that a private sector organization took the duty of governmental authorities, of developing a COVID-19 guidelines designed especially for the Homestay Industry, in order to help provide them with the accountability of

following COVID-19 protocols. This shows the contribution of private sector organization towards the industry, compared to governmental efforts.

### ***5.3.2 Profit generated by Homestays in 2022***

The maximum loss predicted to be made by the respondent homes was NRS 1,152,000 and the maximum profit was NRS 984,000. 25% of the homes are expected to generate losses of more than NRS 5,000 and 25% of the respondent homes are expected to make a profit of more than NRS 230,000. The predicted profit of NRS 60,000 marked the 50% mark and the predicted losses generated of NRS 64,182 was the average profit and loss made by the respondent homes.

In the context of Community Homestay affiliated homes, the maximum loss expedited to be made was of NRS 1,152,000 and the maximum profit expedited to be generated was of NRS 984,000. 25% of the respondents expedited to make a loss of more than NRS 828,000 and 25% of the respondents expedited to make a profit of more than 360,800. Profit of NRS 4,000 marked the 50% mark of the profit and losses expedited to be generated. Loss of NRS 103,536 marked as the average profit and loss expedited to be generated.

In terms of respondent Private Homestay affiliated homes, on the other hand, 100% of the respondent were expedited to generate profit. The minimum profit expended to be generated is NRS 51,000 and the maximum profit expedited to be generated is of NRS 420,000. 25% of them are expedited to be making profits of less than NRS 69,000 and 25% of them are expedited to be making profits of more than NRS 167,750. NRS 97,200 marked the 50% mark of the profits expedited to be generated and the average profit expedited to be generated was of NRS 148,992.

From this, it can be seen that the respondent Homestay affiliated homes are expected to start to bounce back from the pandemic in 2022, compared to the years 2020 and 2021. In the context of Community Homestay affiliated homes, it can be seen that more than 50% of the homes have now begun to expect a profit surplus. The economic conditions of the respondent Private Homestay affiliated homes are expedited to improve even further with all of the respondents expected to generate profit surplus.

The expected financial performances in the year 2022 however are far weaker compared to that of the year 2019. This shows that the Homestays still have a long way before full recovery.

For the difference between the financial performances between the respondent Private and Community Homestay affiliated homes, Welch's t-test was conducted. The P-value of the 1 tail test is 0.00, signifying that there was a significant difference between the profits generated by Community and Private Homestay afflated homes, in the year 2022.

Similarly, with reference to Whitney's U test, the p-value of the test was 0.04 signifying that there is a significant difference between the profits generated by Community and Private Homestay homes, in the year 2022.

This can be seen through Table 5.13.

**Table 5.13**

*Measures of central tendency for profit generated by Homestays in 2022.*

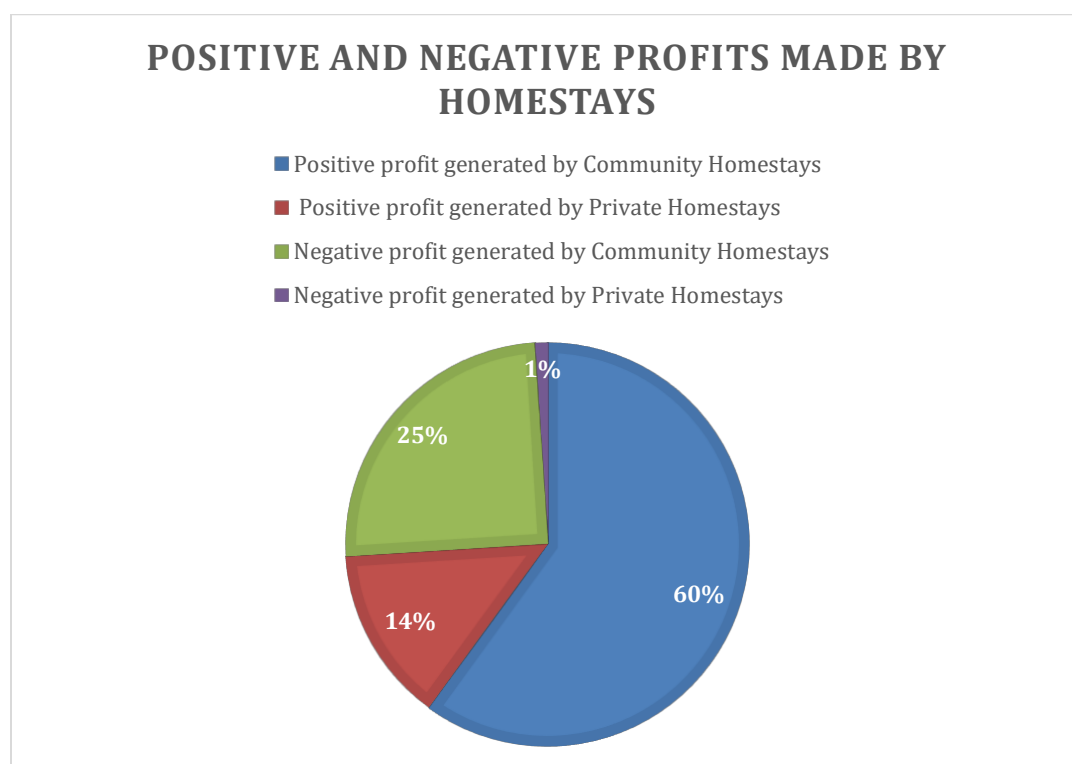
<b>Homesta ys</b>	<b>Minimum</b>	<b>Q1</b>	<b>Median</b>	<b>Mean</b>	<b>Q3</b>	<b>Maximu m</b>	<b>Total Sampl e</b>
<b>All</b>	-1,152,000	-5,000	60,000	-64,182	230,000	984,000	77
<b>Commun ity</b>	-1,152,000	-828,000	4,000	-103,536	360,800	984,000	65
<b>Private</b>	51,000	69,000	97,200	148,992	167,750	420,000	12

As presented in Figure 5.8, only 26% of the Homestays among the respondent Homestays were making negative profits in the year 2022, amongst whom 26% were a part of Community Homestays and only 1% a part of Private Homestays. In 2022,

profits are expected to be generated and Homestays expect to reach a break-even point during this year.

**Figure 5.8**

*Homestays making positive and negative profit*



### **Factors affecting the profits generated**

With reference to Table 5.14, it can be understood that in the year 2022, the factors were expected to affect the profit generated were interest rate payable of 1% to 5%, loan taken and maintenance cost. All the variables are predicted to have a negative impact.

Similar to the year 2020 and 2021, it was found that the number of rooms and the average length of stay are predicted to not have an impact on the profit generated, unlike the year 2019, showing the long-lasting impact of decreasing customers footfall. Unlike the previous phases however, interest rate of 1% to 5% was predicted an impact on the profit generated.

It is interesting to note that despite of interest payable being identified as a major challenge faced by the Homestays (discussed in chapter 6), its impact is only being shown significant in the current phase. Again, since the data collected for the year 2022 were on the basis of future prediction made, the actuality may differ.

**Table 5.14**

***Multiple regression analysis results***

No.	Variables (X)	Dummy	Coff.	p-value
	Intercept		66770	.07.
1	Number of Rooms (X1)		17130	.8
2	Average Length of Stay		10760	.6
3	Number of Employees		-91420	.58
4	Average occupancy of Foreign Guests		278.5	.3
5	Average occupancy of Domestic Guests		190.7	.4
6	Loan Taken	Yes = 1 No = 0	-182000	.02*
7	Interest Rate	1% -5% = 1 6% - 10% = 2 11% - 15% = 3	- 5182 - 17728 - 32504	.04* .4 .6
8	Maintenance Cost		- 8777	.00***

Here,

Total number of sample (n) was 77,  $r^2$  was 0.4, and the p-value was 0.00. Significance had been carried out at 10% level.

### 5.3.3 Customer Type in 2022

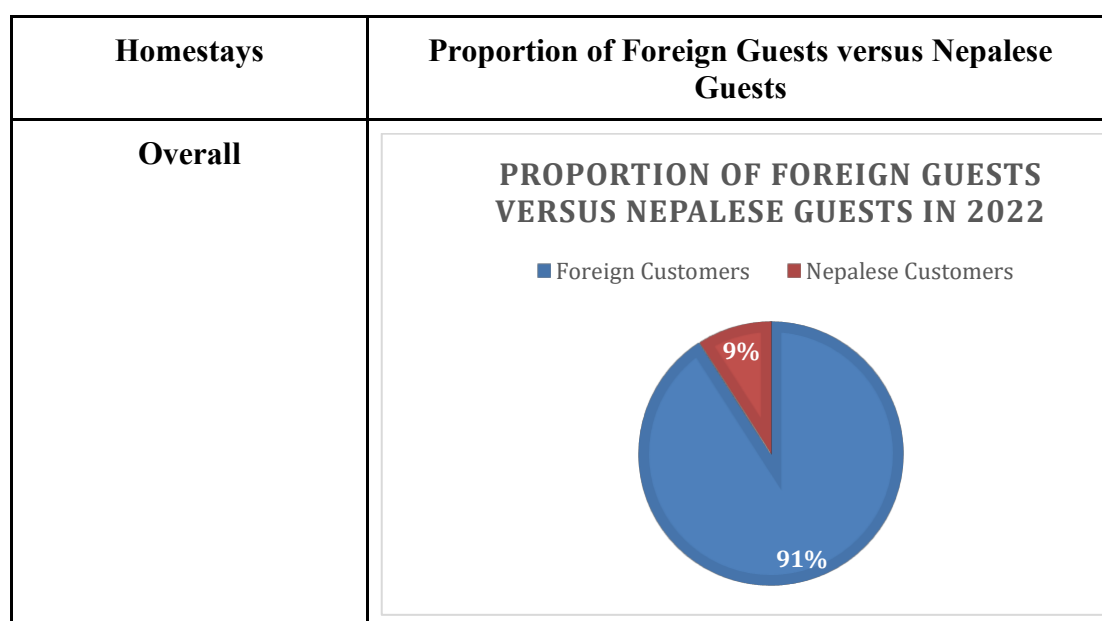
Similar to the previous years, 2019, 2020 and 2021, in 2022 as well, the proportion of foreign guests are expected to be much higher, with the proportion of 91%, compared to the proportion of Nepalese guests, of less than 9%, as presented in Table 5.11. Like the previous years, the proportions of Nepalese guests in Private Homestays are predicted to be slightly higher with 14% compared to the Community Homestays, with 9%.

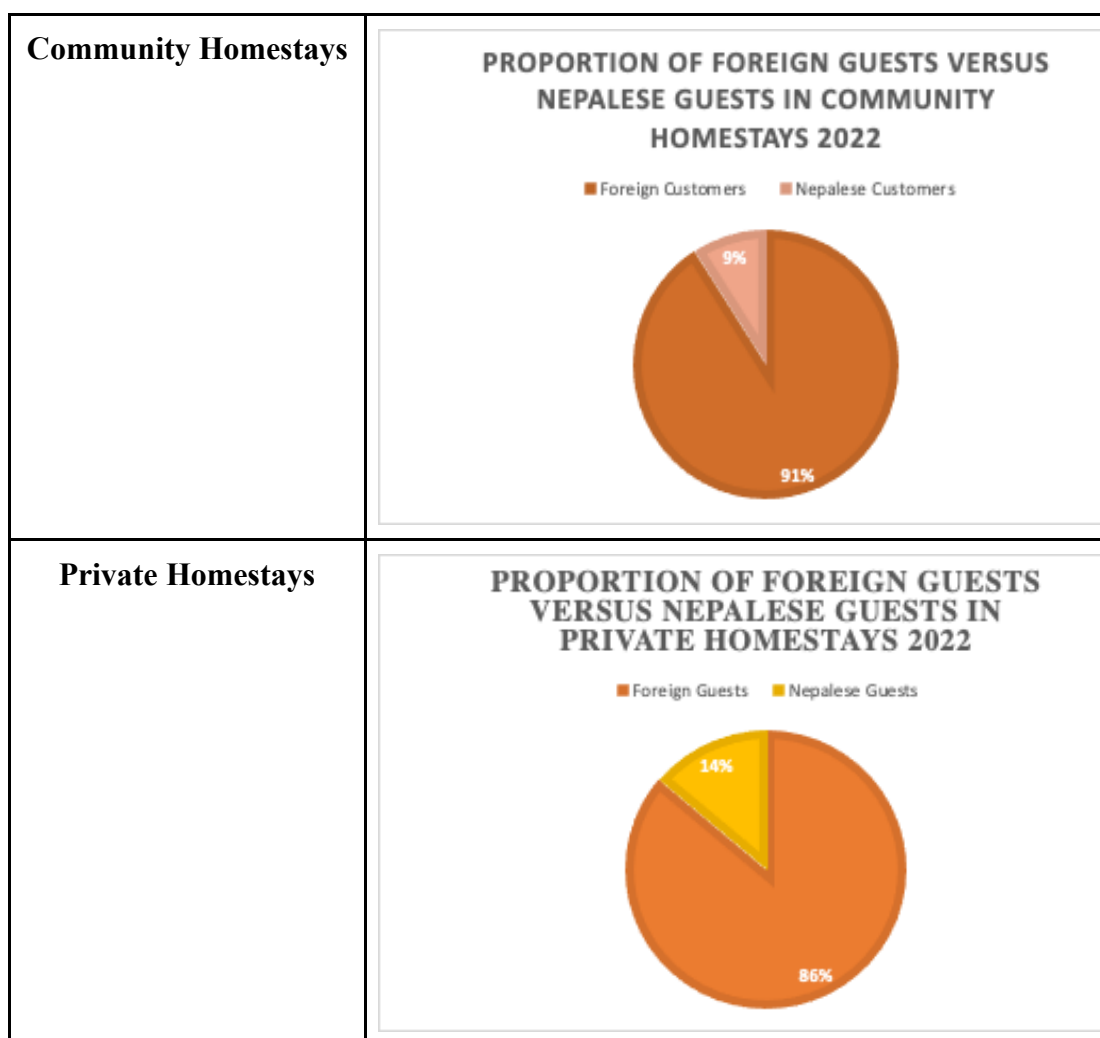
Compared to the year 2021, where the proportion of Nepalese guests had increased slightly, especially in terms of Private Homestays with it reaching 24%, it can be seen that this slight increase in the proportion has again decreased in the year 2022. This is mainly due to the slowly increasing number of foreign tourist footfalls in Nepal after the removal of travel restrictions to all vaccinated tourists.

The average number of foreign customers that are expected to be hosted by the Homestays in 2022 are 44492 and the average number of Nepalese customers are 533. This can be seen through Table 5.15.

**Table 5.15**

*Proportion of Foreign Guests versus Nepalese Guests in 2022*





### 5.3.4 Financial Resilience in the years 2022

The financial resilience situation of respondent Homestays in the year 2022 is predicted to be very similar to that of the year 2021. This shows that even after the removal of travel restrictions to all vaccinated travelers, the financial resilience of the Homestays is not expected to improve. Financial resilience is a very crucial yet critical factor of any business. The time taken for the resilience to improve depends upon financial stability, which comes over time. The representatives claimed that the resilience may take a very long time to achieve even post pandemic.

Like the year 2021, 19 respondent Homestays are taking loans at the new subsidized interest rate. This can be seen though Table 5.16.

**Table 5.16***Loans taken from banks and interest rates paid in the year 2022*

<b>Years</b>	<b>No Loan</b>	<b>1%-5% Frequency</b>	<b>6%-10% Frequency</b>	<b>10%-15% Frequency</b>
Overall	23	19	16	19
Community Homestays	18	19	9	18
Private Homestays	5	0	6	1

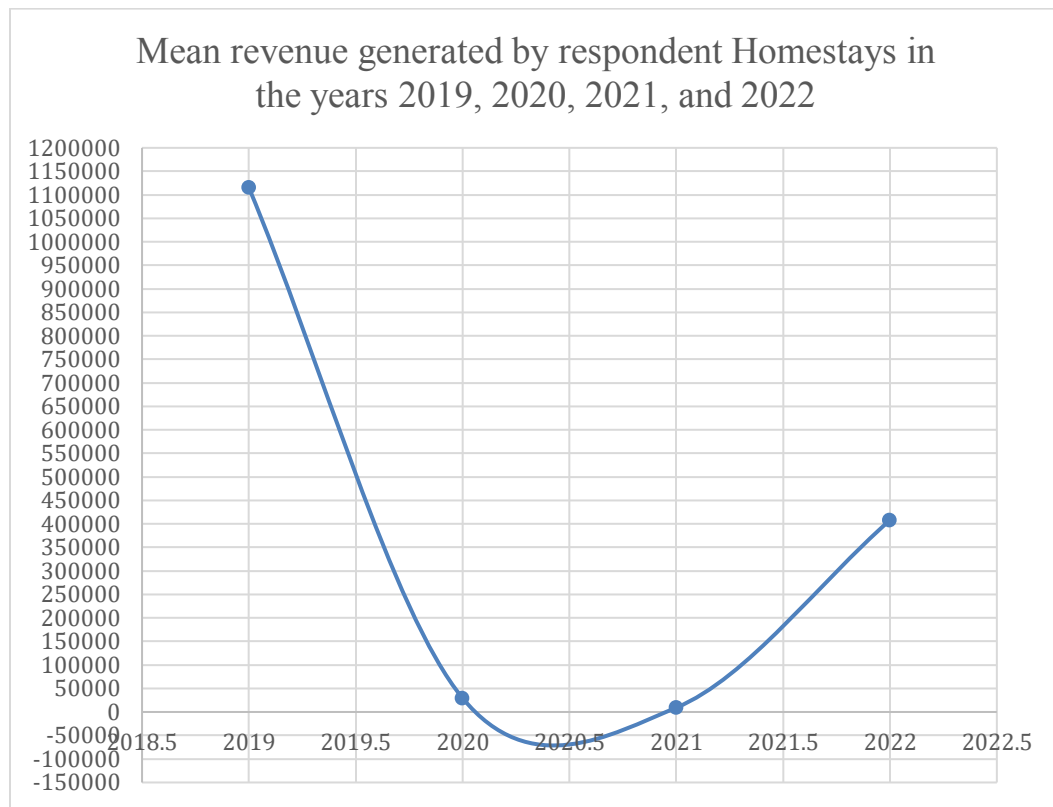
The respondent Homestays have shown their concerns about potentially not being able to pay back the depths taken from BFIS. They share that there has been support that was being provided during the pandemic phase, which made it possible for them to deal with the depths. However, with the improving situation, it is possible for these supports to no longer be exercised, making them even more vulnerable.

#### **5.4 Effect of COVID-19 Pandemic on the Revenues generated**

After the declaration of the pandemic, the revenue generated by the respondent Homestays has fluctuated significantly. With reference to Figure 5.9, it can be seen that the mean revenues in the years 2020 and 2021 had decreased significantly compared to the year 2019. However, it can also be seen that the revenue in the year 2022 is predicted to recover to a considerable extent.

**Figure 5.9**

*Trend of mean revenue generated by respondent Homestays in the years 2019, 2020, 2021, and 2022*



From Figure 5.9, it can be seen that the mean revenue generated in the year 2021 is slightly lower compared to the year 2020. From this it can be understood that the economic performance of the Homestays reached the lowest post in 2021. This could be because, when the pandemic was declared in March of 2020, the economic year for the businesses had already begun and many Homestays had already hosted guests. The lockdown has been lifter in 2022 for fully vaccinated travelers, allowing Homestays to begin business activities. From this it can be understood that the Homestay Industry suffered the most in the economic year 2021.

For the difference between the revenue generated between respondent Private and Community Homestay affiliated homes, Welch's t-test was conducted. The p-value of the 1 tail test for the years 2019, 2020, 2021 and 2022 were 0.001, 0.01, 0.1 and 0.002 respectively. This signifies that there were insignificant differences between the revenues generated by Community and Private Homestay afflated homes in the years 2019, 2020 and 2022. In the year 2021, there was an insignificant difference. In

addition, it can be seen that the p-values of the difference became weaker after the declaration of the pandemic, showing how the pandemic nutrified the difference between the revenue generation. This is true since all the Homestays witnessed a significant decrease in customer footfalls, decreasing revenues to a minimum. However, in the year 2022, the significance of the difference between these Homestays are expected to further increase.

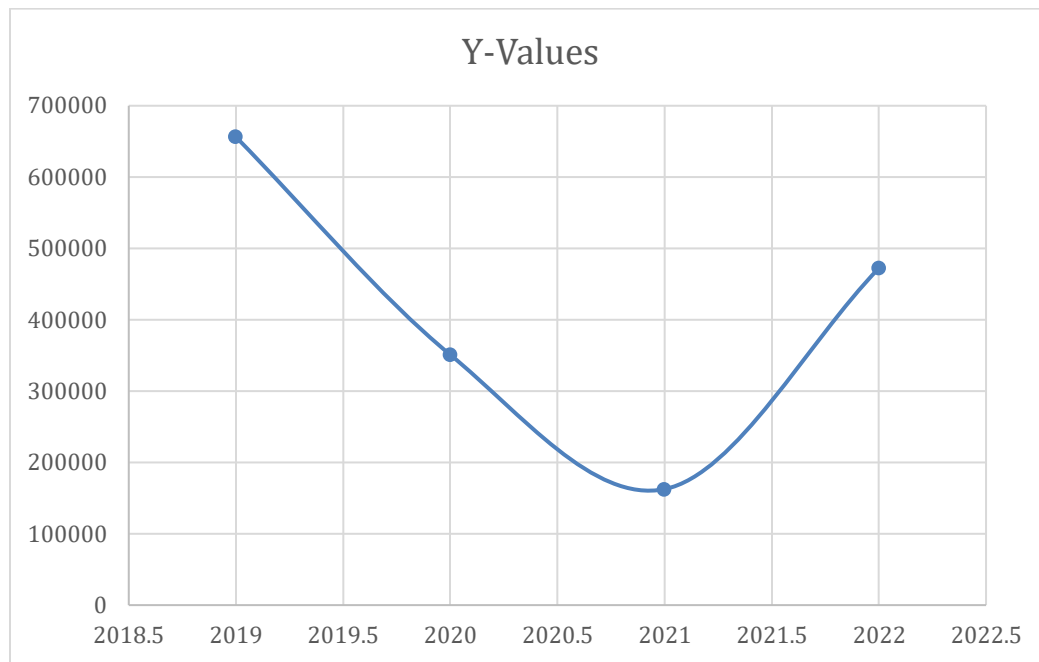
With reference to Mann Whitney's U test, in the years 2019, 2020, 2021 and 2022, the difference between the revenue generated by Community and Private Homestay affiliated homes insignificant, significant, insignificant and significant respectively, with p-values 0.9, 0.00, 0.3 and 0.04 respectively. Similar to the findings from Welch's t-test, it can be seen that prior to the pandemic, the difference between the revenues generated were insignificant, however, after the declaration of the pandemic, the difference started to become significant. This is true, except for the year 2021. The reason for that could be due to the fact that in the year 2021, the business performances of all the respondent households had reached almost a 0 point, making the difference insignificant.

### **5.5 Effect of COVID-19 Pandemic on the Expenses Incurred**

Along with the decrease in revenue generated, it is seen that the expenses incurred by the Homestays have decreased over the last few years (2020, 2021 and 2022) as well. From Figure 5.10, we can see that the mean expenses incurred has decreased, but compared to the decrease in mean revenue portrayed in Figure 5.9, the decrease is not as significant. Hence it can be understood that despite the decrease in expenses in the years 2020, 2021 and 2022, due to the steeper decrease in revenue, significant losses were made.

**Figure 5.10**

*Trend of mean expenses incurred by respondent Homestays in the years 2019, 2020, 2021 and 2022*



From Figure 5.10 it can be understood that the expenses incurred in the year 2021 was the lowest. This could be due to 2 factors: first the minimum number of guests living with host families, even compared to the year 2020, and second the cost cutting done by the households to minimize fixed cost.

For the difference between the expenses generated between respondent Private and Community Homestay affiliated homes, Welch's t-test was conducted. The p-value of the 1 tail test for the years 2019, 2020, 2021 and 2022 was 0.00. This signifies that there were significant differences between the revenues generated by Community and Private Homestay affiliated homes in all of these years. This shows that despite the pandemic, the sanding of both Private and Community Homestays have remained different. This is primarily due to the existence of maintenance cost, which with reference to a KII respondent Homestay Expert makes up a large part of the expenses bared, even throughout the pandemic.

With reference to Mann Whitney's U test, in the years 2019, 2020, 2021 and 2022, the difference between the revenue generated by Community and Private Homestay

affiliated homes insignificant, significant, insignificant and significant respectively, with p-values 0.1, 0.03, 0.001 and 0.002 respectively. In this case, it can be seen that the difference between the expenses incurred, before the declaration of the pandemic was insignificant. However, post the declaration of the pandemic, these differences became significant, showing that the pandemic has increased the difference between the 2 types of Homestays.

## **5.6 Effect of COVID-19 Pandemic on the Profits generated**

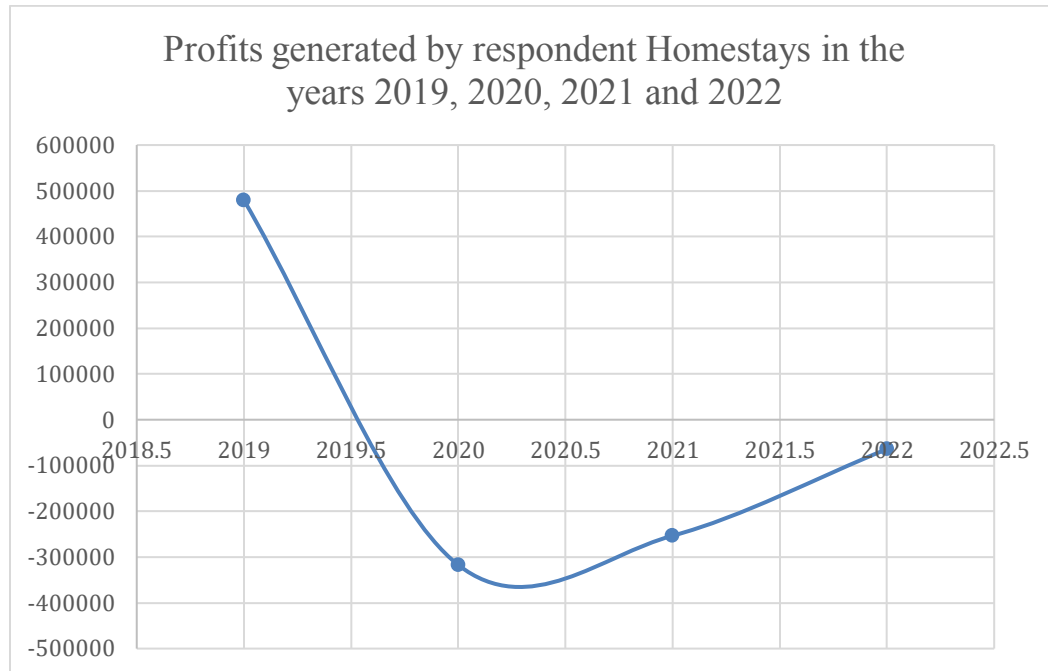
The COVID-19 pandemic and the economic crisis brought by it can be further understood by looking at the profit and loss trend over the 4 years in Figure 5.11. Since the revenue generated and the expenses incurred have been looked at previously, it is understood that with the decrease in revenue generated, there had been a decrease in expenses incurred as well. However, it can be seen that Homestays and the Homestay affiliated homes have not just faced a reduction in profit, but they have also made huge losses, proving that the decrease in revenue were greater than the decrease in expenses incurred.

The profits generated in the “pre-pandemic phase” ranged from NRS 25,000 to NRS 1,638,000, with the mean profit being NRS 479,473. In the “during-pandemic phases”, however, since there was a steeper downfall of the revenues made compared to the downfall of the expenses incurred, a significant decrease in profit was recorded, resulting in Homestays making significant losses. The Revenue generated in 2021 was even lower than in 2020, but the expenses incurred in 2021 were lower as well. Hence the losses made in 2021 were slightly lower than that in 2020.

In the year 2022 however, since the COVID-19 situation had improved in Nepal, the losses are expected to be minimized and more than 50% of the respondent Homestay affiliated homes expect to generate profits.

**Figure 5.11**

*Trend of mean profits generated by respondent Homestays in the years 2019, 2020, 2021 and 2022*



From Figure 5.11, it can be seen that the profits generated were at its minimum in the year 2020, and not 2021, as oppose to the revenue generated. This is because of the lowering of cost in this year. With reference to the multiple regression analysis conducted, the maintenance cost was insignificant in 2021, and with reference to KII Homestay representatives, maintenance cost was cut down, this situation could also have caused due to the low maintenance cost spent in 2021.

## **5.7 Chapter Summary**

While looking at the different phases of the pandemic, it was found that the economic performances of the Homestays were impeccably impacted by the COVID-19 pandemic in the years 2020 and 2021, compared to 2019. The situation was however expected to improve in 2022 moderately, but far from the pre-pandemic phase (2019). The Homestays generated lower revenue rates in the year 2021 compared to the year 2020, but since the expenses incurred in 2021 was also lower compared to 2020, the Homestays made lower losses in 2021.

In the year 2019, more than 80% of the respondent Homestay affiliated homes were performing exceedingly well economically. The Homestays were hosting a majority of foreign customers and only 42% of the homes were taking loans from banks. They were expecting to perform even better in the year 2020, considering the VNY 2020 campaign but the situation turned out to be the exact opposite from their expectation.

Within the years 2020 and 2021, Nepal witnessed 2 nationwide lockdowns and an ongoing travel restriction. This made travelling almost impossible, pushing Homestays into an almost complete standstill situation. 100% of the respondent respondents recorded that their economic performances were poor during this period. About 50% of the homes, that were not taking loans previously (in 2019) recorded that they opted for loans after the declaration of the pandemic. They stated that the condition of their businesses was “hopeless”. Although there were some homes that took the pandemic as an opportunity to renovate their homes for future business purposes. It was found that compared to the Community Homestays, the Private Homestays were more resilient towards the pandemic.

The COVID-19 situation of Nepal has improved to relatively in 2022 with the lockdowns being removed and the travel restrictions being lifted for fully vaccinated travelers. Travelling in Nepal has become more affordable and accessible, giving the respondent Homestays and Homestay experts a sense of relief. However, since the year 2022 has not come to an end yet, there is still a sense of uncertainty within the industry due to the uncertain situation caused by the pandemic, and the baggage that comes with it. There are other misfortune situations such as the ongoing war in Europe, potential global inflation and recession, political instability in Nepal, and so on, further adding to the uncertainty.

More than 60% of the respondents Homestay affiliated homes expect to perform at least to a satisfactory level in terms of the economic performance in 2022. However, the financial resilience of the Homestay affiliated homes is expected to remain weak even during this year.

With reference to Welch’s t-test, comparing the mean profits and losses generated by Community and Private Homestay affiliated homes, it was found that there was no

significant difference between the profits and losses generated by the 2 types of Homestay affiliated homes in the year 2019. However, after the declaration of pandemic, in the years 2020, 2021 and 2022, there were significant differences between the profits and losses generated by these 2 different types of Homestay affiliated homes. The economic condition of the Community Homestay affiliated homes was more affected by the pandemic, compared to that of Private Homestays affiliated homes. [This shows that Community Homestay affiliated homes have been more vulnerable to the pandemic than the Private Homestay affiliated homes.](#)

With reference to Mann Whitney's u-test, like the Welch's t-test, there was no significant difference between the profits and losses generated by the 2 types of Homestays in the year 2019, and there was a significant difference in the years 2020 and 2022. However, differing from the Welch's t-test, it was found that there was no significant difference between the profits and losses generated in the year 202. This could be due to the worsening economic conditions of the Homestays in this year, with Homestays making minimal to no profits at all, obliterating the difference between the 2.

Furthermore, in terms of financial resilience, it was found that more Homestay affiliated homes were in need to take loans from BFIS after the declaration of the pandemic, though most of these homes have taken loans to renovate their homes for future business purposes. This will be further discussed in chapter 6. However, for the homes taken loans (before and after the pandemic), there is a fear of not being able to pay back the loans taken due to the uncertain business condition. The loan payback capacity of the respondents has decreased significantly after the pandemic, and is expected to be low even post pandemic.

Finally, in terms of the revenue, expenses and the profits generated by the respondent homes over the years 2019 to 2022, there has been a decrease in all the 3 financial aspects. In terms of the years 2020 and 2021, the revenue earned decreased significantly, with most Homestays generating no revenues during this time. The expenses decreased as well due to the decrease in the customers served, and the deliberate minimization of cost done. However, despite these efforts, the respondent

homes continued to bare a reduced amount of expenses, leading to a negative profit scenario.

In the year 2022, the economic condition of the Homestay affiliated homes is expected to improve and some Homestays, particularly the Private Homestays are expected to make profits during these years as well. However, most Homestays are expected to continue making losses even during this year, proving that there might still be a long way before the economic condition of the industry bounces back.

## **CHAPTER 6**

### **RESPONSE MEASURES USED BY THE HOMESTAYS TO RECOVER FROM ECONOMIC DAMAGE CAUSED BY THE PANDEMIC**

This chapter aims to understand the measures used by the Homestays to recover from the economic challenges caused by the pandemic.

#### **6.1 Challenges faced by the Homestays during the COVID-19 pandemic**

In order to understand the strategies used by the Homestays, it is first important to understand the challenges faced by them.

**The first challenge** that is faced by all 77 Homestay affiliated homes was the decrease in demand for Homestay services. This is due to the decrease in the number of travelers' footfall caused by the pandemic. This is an obvious consequence of the pandemic, and the lockdowns, along with the travel restrictions brought by it.

**The second challenge** faced by the Homestays was difficulty to bear the maintenance cost. As mentioned by the KII respondent Homestay representatives, one of the factors that contributes the most to the expenses incurred was the maintenance cost. A significant percent of maintenance costs incurs, whether the Homestays host guests or not. Hence since the Homestays were welcoming a very minimal number of guests during the pandemic, they were facing difficulties to insure maintain during this period. It was also found that Homestays have not been conducting maintenance of the rooms dedicated for the guests, as they were unable to bare extra cost during the financially challenging times brought by the pandemic.

According the study conducted by NTB in 2020, difficulty to withstand fixed cost was seen as a major challenge faced by the Tourism Sector. The maintenance cost incurred and payment of loans and interest fall under this category.

**The third challenge** recognized by the Homestays was the challenge to pay loans and interest during this period. Since about 43% of the Homestays were already taking loans

from the banks when the pandemic hit, the Homestays were not able to earn enough income to be able to continue paying the interests after the declaration of the pandemic. As a relief measure, the Monetary Policy exercised the delaying of loan payment time for the Tourism Sector. However, most of the Homestays were unable to enjoy this scheme provided by the government as they were either not able to meet the criteria set by the government, or they were not aware of the scheme provided. This will be further discussed in chapter 7.

**The fourth challenge** faced was the decrease in demand for non-Homestay services. During the pandemic, it was found that even the guests who stayed at Homestays in the years 2020, 2021, and 2022 were hesitant to opt for these services, compared to the year 2019. The Homestays were unable to sell add-on services, further affecting their earnings. The reasons for the decrease in these services is a conscious effort made by guests to avoid additional exposure to virus prone scenario, and to avoid spending additional expenses.

Through table 6.1, it can be seen that more respondent Community Homestay affiliated homes acknowledged this challenge. Since in the case of Community Homestays, a large number of guests are hosted at a time, and the cost of these extra services are divided amongst these guests, making the add-on services more affordable. In case of Private Homestays, since only a limited number of guests are hosted at a time, the cost of these add-on services falls on the limited number of customers, making the services expensive and undesirable. Due to this these services were offered and promoted more in Community Homestays, compared to Private Homestays. A significant source of income generated by Community Homestays depended on non-Homestay services. *As a result, more Community Homestays were affected by this challenge.*

**The fifth challenge** acknowledged by the respondent Homestay affiliated homes was the fact that hosting guests during the pandemic would make the host family vulnerable to the transmission of COVID-19 virus. Since the core idea of Homestay businesses include welcoming the guest into the homes of the host families and live with them as one of their family members, hosting guests during the pandemic meant exposing themselves, and their families to guests who have been travelling. These guests could have been exposed to the COVID-19 virus. Though according to the travel restriction

placed made PCR testing compulsory for all travelers in the years 2020 and 2021, the respondent Homestays were still not confident about the status of their potential guests' health due to the uncertainty revolving around the COVID-19 virus. *This shows the lack of trust the respondents have in the current healthcare, and governing system of the country.* Due to this, the Homestay affiliated homes themselves were not willing to accept guests in the same manner as they did before.

Since now, in 2022, all travel restrictions have been removed, this risk of transmission is even greater. Though there are lesser COVID-19 cases in the global scenario as well, and since the vaccination certificate and the healthcare system has improved surrounding the virus, the uncertainty still remains.

From Table 6.1, it can be understood that this challenge was acknowledged by the Private Homestay representatives more compared to the Community Homestay representatives. A major reason for this is the business model of Private Homestays and Community Homestays. In terms of Community Homestays, since many individual host families come together as a Community Homestay, each home hosts only a small number of guests. Due to this, the risk of transmission is minimized.

*On the other hand, since Private Homestay affiliated homes host guests individually as individual Homestays, they take in more guests compared to Community Homestay affiliated homes. Due to this, they are more vulnerable to the virus spread. Due to this, more Private Homestays were unwilling to take in guests during the pandemic, and in the current phase.*

*“My life is more precious to me. I need, to think about my and my family’s health first.” - (Owner, Private Homestay, Kathmandu)*

**Finally**, there were some other challenges mentioned by the Homestays that they faced during the pandemic. This included problems such as the **inability to purchase materials such as food supplies due to the lockdown, difficulty to hire manpower, and the difficulty to send back the guests who were staying at their homes after the sudden declaration of the pandemic** (since the international borders were sealed and international flights were stopped after providing a very short notice, making guests unable to book flights to travel back Home).

On Table 6.1, 100% refers to the case when all the questioner respondents acknowledged a specific challenge to be applicable to them. The ranking has been done according from the highest percentage of acknowledgement (100%) to the lowest (17%). The “others” option was provided to the respondents with the choice of mentioning challenges that have not been mentioned.

**Table 6.1**

*Challenges faced by the Homestays during the pandemic*

<b>Rank</b>	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>	<b>Fifth</b>	<b>Sixth</b>
<b>Homes tay</b>	<b>Demand for Homestay Services</b>	<b>High Maintenance Cost</b>	<b>Loan and Interest payment</b>	<b>Demand for Non- Homestay Services</b>	<b>Vulner ability to COVI D-19 transm ission</b>	<b>Other</b>
Overall 1	77	69	67	57	50	13
Comm unity Homes tay	77	58	59	52	39	13
Private Homes tay	77	9	8	5	11	0

## 6.2 Concerns for the post-pandemic phase

Apart from the challenges that are already being faced by the Homestays since the beginning of the pandemic, the Homestays also showed concerns for their future business activities post-pandemic.

32% of the Homestays were concerned about travelers not being willing to pay for tourism services post-pandemic. They argued that since many individuals lost their jobs due to the pandemic, and due to the increasing inflation, the probability of individuals not having disposable income to spend on vacations is very high. This could have a significant effect on the Tourism Sector as a whole, including the Homestay Industry.

67% of the respondents were concerned about travelers not being willing to pay for Homestay services post-pandemic. They argued that the new concerns predominantly regarding hygiene, avoidance of close or intimate contact, and the use of masks and sanitizers have affected the attitude of the customers towards Homestays. As they believe that this concern is going to remain even post-pandemic, and since Homestays are businesses that focus more on authenticity and the coming together of people, this accommodation model may not be able to satisfy the customers with the existence of such concerns. Homestays are relatively a new and emerging market. The presence of the discussed concerns may make the establishment of the industry even more challenging.

Lastly, 55% of the respondents were concerned about the risk of possible future catastrophe. With reference to the Homestay experts, tourism is a sector that is largely vulnerable to catastrophes of various types. When there was a civil war going on in the country, the tourism sector struggled immensely, when the earthquake hit the country, this sector was again among the sectors that faced huge damages, and now since the pandemic hit, it has been named the “most affected sector” alongside few other affected sectors of the country. Hence if any another catastrophe arises in the future, it is most likely for the sector to be affected then as well. Hence it is very essential for the authorities to address vulnerability issues of the stakeholders involved in this sector as a whole.

**Table 6.2***Future concerns of the respondent Homestays*

<b>Homestay</b>	<b>Unwillingness to pay for Tourism Services</b>	<b>Unwillingness to pay for Homestay Services</b>	<b>Risk of Future Catastrophes</b>
Overall	25	52	42
Community Homestay	19	45	38
Private Homestay	6	7	6

### **6.3 Advantages that the Homestay Industry had over other Industries in the Tourism Sector**

While highlighting the challenges faced by the Homestays during the pandemic is essential for the purpose of fulfilling the set objective, it is also necessary to acknowledge that there were some advantages that the Homestay Industries had over other Industries within the Tourism Sector.

20% of the interview respondent Homestays admitted that while the pandemic negatively affected their businesses, there were a few advantages they had as well. These advantages mentioned by them are the follows:

#### **a) Employees**

With reference to the research conducted by NTB, in the year 2020, there were 300,000 employees directly employed under the Tourism Sector. From this, 42% were sent on unpaid leave, 37% were made to work with full or partial salary cuts, and 19% were permanently terminated as a result to economic downfall brought by the pandemic. These measures were taken by stakeholders as cost cutting measure.

(Magar, 2020)

In terms of the Homestay Industry, as businesses host only a limited number of guests, all the 77 respondent Homestay affiliated homes were run by the owners themselves. Only about 13% of the respondent Homestay affiliated homes hired extra help to run their businesses. Even in that case, the home owners themselves were involved in the business activities and did not rely on the additional help for their overall business activities. Due to this, they did not face the challenge of paying salaries during the pandemic.

Hence, this feature of the industry makes the stakeholders more resilient over other industries during catastrophes like the pandemic.

b) Rent

Fixed cost control was another challenge identified by NTB (Magar, 2020). Rent payment is a significant fixed cost cared by businesses.

Since all the respondent Homestay affiliated homes used their own personal homes to host guests, they did not have to pay rents during the pandemic. Most other industries within the Tourism Sector require separate space to conduct their business activities, and they could have opted to rent spaces to conduct these activities. Compared to those businesses, Homestays had the benefit of not having to worry about this challenge.

#### **6.4 Homestays not using strategies to recover from the pandemic**

Despite all the Homestays facing challenges, and more than 60% of the Homestays having concerns about the future of their Homestays, it is essential to note that only about 36% of the Homestays have taken measures to recover from the pandemic.

The reason for the remaining 64% of the Homestays not taking measures to recover from the pandemic was divided into 2 categories. The first category was the “better to wait and watch” category.

The interviewed Homestay representatives explained that the Tourism sector is a very unpredictable sector. It is not wise to make decisions without knowing how long the pandemic is going to last. So, if strategies were made before having at least a rough idea about how the situation is going to be in the near future, it is better for them to wait and watch. They believed that investing time and effort in their business, for the time being, could most likely not have a positive outcome.

It is possible for these Homestays to wait and watch since firstly, these stakeholders do not have to pay rent or pay salaries to employees. Secondly, only 15.6% of the respondent households economically depend completely on the industry.

The second category of response was the “considering a withdrawal from the industry” category. This group of respondents were either hopeless regarding the survival of their business, or unwilling to put any additional effort into the business. They claimed that they felt hopeless about their business as the Homestay industry is still an emerging industry and the pandemic has further made its emergence difficult. They claimed that the emergence of the market could take a very long time, even post-pandemic.

It can be seen from Table 6.3 that more homes affiliated to Community Homestay are considering withdrawal compared to homes affiliated to Private Homestays. With reference to the Pearson’s chi-squared test conducted, a significant difference between the decisions of the stakeholders involved in the 2 types of Homestays were seen.

**Table 6.3***Reasons for respondent Homestays not creating a recovery strategy*

<b>Homestay</b>	<b>Better to wait and watch</b>	<b>Considering a withdrawal from the industry</b>	<b>Total</b>
Overall	37	12	49
Community Homestay	30	11	41
Private Homestay	7	1	8

A factor that can could have motivated the large percentage of Homestays to not take measures during the pandemic is the risk of virus spread, since 50 households considered this as a challenge.

### **6.5 Strategies used by the Homestays to recover from the pandemic**

As mentioned earlier, it is essential to note that only about 36% of the Homestays have taken measures to recover from the pandemic. The 3 strategies that are being used by these Homestays are renovation of the Homestays, conducting agricultural activities in Homestay premises and targeting Nepalese customers.

With reference to table 6.4, it can be seen that 19 Community Homestay affiliated homes opted to renovate their Homestays premises in the “During-Pandemic Phase”. Only Community Homestay affiliated homes opted for this measure. They explained that their home premises were old and required renovations to make it appealing for the guests. However, when they were hosting guests, it was difficult for them to carry out these activities considering their busy schedule, the comfort of the guests, and monetary insufficiencies. However, after the pandemic hit, these Homestays were in a stand-still situation anyways, so the Homestay owners had sufficient time to plan and conduct renovation processes.

**Table 6.4***Response measures used*

<b>Homestay</b>	<b>Renovatio n</b>	<b>Agriculture</b>	<b>Nepalese Customers</b>	<b>Total</b>
Overall	19	2	7	28
Community Homestay	19	0	5	24
Private Homestay	0	2	2	4

Since many constructions laborer were jobless during the pandemic, it was easier for them to conduct these activities efficiently. As they were able to take loans at a low interest rate during the pandemic, loans were taken to ease the financial burden. The details of the loans taken will be discussed in chapter 7. Most of the renovation has already been completed as off August 2022, with only financial touches remained to be given.

After the renovations are complete, the hosts believe that they will be able to provide a more conformable living space for their guests. The renovation will also add aesthetic value to the Homestays. Apart from the homes themselves, few Homestays are also renovating the roads that connect their homes to the main roads of the city to improve the accessibility of their Homestays. This renovation will add value to the Homestays, making it easier for the Homestays to attract a larger number of guests, while also increasing the prices of their services. They expect to recollect the amount spent on renovation through profits within 3-5 years post pandemic.

It is also essential to understand that the renovation time taken, will play a large role in the recovery of the Homestays. Since the year 2022, the country has opened up to foreign customers and the footfalls of the travelers have started increasing in Nepal. If the Homestays are unable to complete the renovation process on time, they might miss

the opportunity to attract customers, when they are eager to travel. Since many travelers were not able to travel due to the restrictions over the last 2 years (2020 and 2021), they will most likely be eager to travel now that the travel restrictions have been removed.

**Likewise, through table 6.4, it can be seen that 7% of the Homestays opted for organic farming in their Homestay premises during the pandemic.** During the pandemic, since there was a shortage of food supplies, many households in Nepal began organic farming. This was done to insure food supply for the families primarily. However, these 7% of the Homestays who experimented organic farming during this time realized the potential of organic farming, not just till the effect of the pandemic remains, but even after the pandemic. They claimed that they could conduct organic farming and provide organic food grown in their garden to their customers. With the rising popularity of organic food consumption globally, they claimed that if their Homestays were able to provide organic food to customers, this could be an additional factor that can be highlighted by them to attract customers. Providing organic food to customers could also help them minimize their expenses.

With the concept of Homestay revolving around authenticity and raw local experience, food plays a very important role in that. Homestays provide homemade food which are usually eaten by the host families. If the food provided by the Homestays can be grown in the homes where the guests are staying itself, it could further enhance the authenticity and raw local experience provided. By providing seasonal fruits and vegetables picked in front of the eyes of the guests, the Homestays can provide a one-of-a-kind service to their guests. The challenge however can be to maintain the organic garden, while managing the Homestays. Another challenge can be to present this feature to their customers in an attractive way to generate benefits from it. Marketing strategy will be required to do so.

Organic farming can will also be provided as a non-Homestay activity for customers. Homestays can entertain and educate their customers at the same time through these activities. Since these households are able to provide these services at their own homes, this activity can be conducted in a very minimum cost as well.

**Lastly, a strategy used by 25% of the Homestay affiliated homes are now willing to prioritize hosting Nepalese guests in their home.** Prior to the pandemic, almost all Homestays did not prioritize the accommodation of Nepalese customers. Few interview respondents Homestays also claimed that they do not accept Nepalese customers at all. However, after the pandemic, the attitudes of the Homestays have started to change. Since the pandemic made it very difficult for travelers, especially foreign travelers to visit the country, Homestays were forced to shift their focus on Nepalese customers. However, due to the model of the Homestay, as discussed in chapter 5, the accommodation service, especially in the Kathmandu Valley is more suitable to accommodate foreign travelers.

Despite this, about 9% of the total respondents, and about 25% of the Homestays amongst those who have developed strategies to recover from the pandemic, have developed programs that are targeted especially towards the Nepalese customers. One example of this type of product is a program developed especially for women who celebrate a festival called Teej. The Homestay developed a program where they arranged a Teej party for a group of guests, followed by an overnight stay. The party was hosted by the host family in the way that is normally done in the culture of the host family. The food and drinks provided were also the food and drinks consumed by the host family during this festival. Hence it can be seen that the Homestay developed a program for Nepalese customers while maintaining the concept of a Homestay. Programs like these can be developed by the Homestays even for the post pandemic phase.

It is important to notice that all of the measures taken by the Homestays target only 2 challenges faced by them. The first challenge addressed was maintaining the demand for Homestay Services. By renovating Homestay premises, host families will be able to attract more customers to their homes. Similarly, by targeting domestic customers, Homestays will be able to attract a different segment of the customers towards this market, again increasing the demand for Homestay services. The second challenge addressed was maintaining the demand for non-Homestay services. By doing organic farming, the Homestays are able to provide an easily accessible non-Homestay service to their customers.

It is also important to note that despite maintaining fixed cost (high maintenance cost and loan and interest payment) is seen as a major challenge, the measures taken will further enhance these issues rather than address them. Renovating Homestay premises will increase maintenance cost and the households will have to borrow more from BFIS. Conducting organic farming might further increase cost rather than decrease, considering the low and uncontrollable consistency of products that will be produced, and the raw materials required for the process. Targeting domestic customers will require the creation of marketing and operational strategies, which can be costly and the results may not be as expected as well.

Knowing this, it can be understood that the priority of the Homestays is to maintain the demand for Homestay and non-Homestay services rather than lowering fixed cost.

A strategy used by the Homestays that was not specified by any Homestay during questionnaire survey, but specified by a KII respondent Homestay representative was that all Homestays during the pandemic attempted to minimize their cost by cutting down maintenance cost. This was done since firstly, there were almost no guests coming in during the pandemic, and secondly since due to the lockdowns and travel restrictions, it was difficult for stakeholders to hire labors to conduct maintenance activities. This was a conscious, and obligatory short term cost cutting measure sued by the households. With reference to the regression analysis conducted for chapter 5, it was found that only in the year 2021, the maintenance cost did not have a significant impact on the profit generated by the households. This could be the result of this measure taken/forced upon the households.

## **6.6 Strategies recommended by the Homestays Experts to help Homestays recover from the pandemic**

The Homestay experts selected for the research were also asked about the strategies that can be used by the Homestays to recover from the pandemic. The suggestions provided by them were the follows:

### **Digitalization:**

With reference to the Homestay experts, if there is one thing that we must learn from the pandemic then it would be the importance of digital presence in the times to come. During the pandemic, the businesses that benefited were the businesses that had already begun digital operations. When speaking about the Tourism Sector of Nepal, the businesses involved are still relying on traditional B2B marketing systems. However now with the rapidly digitizing world, where people prefer doing all activities online, the sector will have to adapt to this. If the sector fails to do so, they will be missing out on potential opportunities.

The Homestay Industry is no exception. They should not be relying on agents and third parties for communicational activities such as marketing activities, and operation activities such as booking taking, negotiations, networking and payments. By doing so, they will be able to have a larger reach to their potential customers. It will also allow them to be more flexible and feasible.

Keeping this in mind, NTB in collaboration with PUM Netherlands Senior Experts conducted a week-long training program on Digital Marketing Training. Homestay stakeholders had also participated in this training.

### **Renting**

Almost all Homestays have personal properties where business activities are conducted. This gives them an opportunity to maximize the utility of the space available in the premises. Hence to optimize the utility of the spaces available, experts suggest that they can offer their property premises (fully or partly) to communities or institutions to conduct programs such as conferences and retreats. Doing this would benefit the Homestays especially during situations such as the pandemic. Rather than keeping the property empty, they can rent it out to communities and institutions at a reasonable price.

This strategy can be useful even post pandemic. Since tourism is a seasonal business in Nepal, it is not possible for the Homestays to have sufficient guests all year around. Hence rather than keeping their Homestays empty during the off-season periods, they can rent it off to institutions and communities during that time as well.

### **Providing Day Programs**

Homestay business model is an accommodation model. Usually non-Homestay activities (explained in chapter 4) are provided only for the customers who are accommodating with the Homestays. However, with reference to the experts, it is not necessary to limit these activities for the resident guests. They can offer these activities to non-resident guests as well. This could be a source of additional income to the Homestays.

If they are able to provide high quality programs, it is possible for not just travelers, but also local people to be attracted towards these activities.

### **Developing Hiking Routes**

Hiking is a popular non-Homestay activity. However, considering the fact that Kathmandu Valley is an urban area, not many Homestays are able to attract their customers towards conducting this activity. However, if you look at the landform of Kathmandu Valley as well, there could be hiking routes developed in several areas, even in the city, like the Budhanilkantha area, Hattigauda area and Swayambhunath area. If Homestays can develop hiking routes near their Homestays, they will not have to take their guests to far off hiking trails. It could also add aesthetic value to the Homestays.

### **Follow COVID-19 protocol**

An obvious but effective strategy that the Homestays can use is the strict following of COVID-19 protocols. One of the major factors that is going to affect the business is the reservations of the travelers regarding the COVID-19 factors. It is very likely for the travelers to not trust the hygiene maintenance of the Homestays. Hence if Homestays can follow strict COVID-19 measures and communicate the use of it well with the customers, they might be able to attract a considerable number of customers in the times to come.

This strategy is going to be beneficial for the long term as well since the paranoia created by the pandemic amongst individuals is going to remain with them for a long period of time.

## 6.7 Chapter Summary

The pandemic has created an unfavorable situation for businesses all around the world and the Homestay businesses are no exception. From chapter 5, it could be understood that the pandemic has affected the overall economic performance of the Homestays, leading to the several challenges faced by them.

All the respondent Homestays claimed that they have been struggling and have been facing severe challenges to cope with the effects of the COVID-19 pandemic. More than 60% of the respondent Homestays have doubts and concerns about the future of the industry. But despite this, it was surprising, yet interesting to know that only about 36% of the Homestays have taken measures to recover from the effects of the pandemic. This could be possible for them to do due to the advantages that the Homestays have compared to other industries within the tourism sector. These advantages include not having to pay salaries to employees and not having to pay rents. As most Homestays are run by host families themselves, without any additional support, they do not have to pay salaries and as most Homestays are run in private properties of the Host families, they do not have to pay rents. This reduces the vulnerability of the Homestays to shocks and financial catastrophes.

The reasons given by the Homestays for not taking recovery measures predominantly consisted of the unpredictability brought by the pandemic. Since the global situation is heavily dependent on the pandemic currently, and since new variants of the viruses are emerging even now, it is safe to assume that the unpredictable nature of the situation is going to last for a long time. In addition to that, the pandemic has already affected the economic condition of the entire world to an extent that the World Bank has predicted a risk of a potential global recession in 2023 (World Bank, 2022). This shows that even post pandemic, there is a risk of the unfavorable situation continuing.

From the Homestay affiliated homes that have taken measures to cope with the pandemic, the most popular measure used was the renovation. 68% of the Homestays that are using strategies to recover from the pandemic are renovating their homes. By doing this, they are trying to make their homes more appealing and sellable to their customers. With this strategy, they are trying to address the most common challenge

faced amongst the respondents, the decrease in the demand of the Homestays services. After the pandemic, the demand for Homestay services have decreased significantly, and the Homestay affiliated homes are concerned that even post pandemic, travelers may not be willing to pay for Homestay services. By making their Homestays more appealing and suitable for hosting guests, they aim to make their services more sellable.

Another strategy adopted by the respondent Homestay affiliated homes was the concept of organic farming. One of the challenges mentioned by the Homestay affiliated homes was the shortage of un-storable supplies during the pandemic including fruits and vegetables. In order to deal with this challenge, this strategy was first used. However, now, they have decided to continue the organic farming and provide organic food to their guests as well. This strategy, along with addressing the issue of shortage of supplies to a certain extent also addresses other challenges faced. It firstly makes the service provided by the Homestays even more appealing, considering the increase in demand for organic food, and the authenticity factor that comes with it. This will help Homestays appeal more to their customers and initiate the increase in demand for their services even post pandemic. Secondly, it also makes the Homestays more resilient from possible future catastrophes. Being able to produce their own food item makes them self-sufficient and increases their coping capability to future catastrophes.

However, it is also essential to consider the fact that there is a limitation to organic farming. It is not possible for the Homestays to be completely self-sufficient when it comes to the production of food items used by themselves and used to serve their guests. Secondly, it is not enough to do organic farming, it is also essential to be able to communicate with the potential customers about the additional benefit provided. For that, they will have to review their marketing strategies used.

Finally, the last strategy used by the Homestays was the targeting of Nepalese customers. By focusing on Nepalese customers, Homestays can be less dependent on the foreign travelers coming in. This will firstly help them gain more customers, even during the non-season period. Secondly, they can become more resilient to catastrophes as it is easier for Nepalese customers to travel during catastrophic situations compared to foreign customers.

However, though these strategies have addressed some challenges faced by the Homestays, other challenges, namely the decrease in demand for non-Homestay services, vulnerability to the transmission of virus, challenge to pay loans and interests and the challenge to pay the maintenance costs have not been addressed. While speaking to the Homestay experts, they suggested a few strategies that can be used by the Homestays, which can address some of these issues and many more.

The first strategy suggested by them was digitalization of communicational activities, such as marketing and operational activities such as taking bookings and negotiations. This strategy will make the communication between the buyers and sellers much easier and efficient, increasing the productivity of the businesses. The second strategy suggested was the renting of Homestay premises to industries and communities to conduct special programs. This will help Homestays generate income even during crisis periods affecting the Tourism sector as a whole.

An issue that was brought up but not addressed by the Homestays was the decreasing demand of non-Homestay activities. The experts have suggested offering these activities to not just resident customers but to even non-resident customers. This could be an opportunity to diversify their businesses and make them more resilient to catastrophes. The experts even suggested a construction of a hiking route near their Homestays. This could further allow the Homestays to become more appealing, while expanding their profit earning horizon.

Finally, a simple yet effective suggestion provided by the experts was the following of strict COVID-19 protocols and communicating the use of it with their customers. This strategy will firstly help the Homestays minimize the risk of virus transfer. And secondly, this strategy will also help address the issue of potential customers having reservations regarding the concerns revolving around the COVID-19 fear amongst the customers.

## CHAPTER 7

### ROLE OF GOVERNMENTAL FINANCIAL SUPPORT PROVIDED IN RECOVERY OF THE HOMESTAY INDUSTRY

This chapter analyses the financial support provided by the government, in the recovery of the Homestay Industry. It aims to understand the gaps of the support, and states the recommendations of the experts in order to improve them.

#### 7.1 Gap in financial support

With reference to Chapter 2, section 2.7, it can be seen that, as per the requests made by NTB, GoN has provided various financial support directed towards the Tourism Sector. Since the Homestay Industry falls under the sector, these supports are applicable for them. It is important to remember that this research is only considering the financial support provided.

The study analyzes the requests made and the fund provided in response. The financial support requests made by NTB were divided into 2 categories: [fixed cost control](#) and [cash refinancing](#).

##### i) Fixed Cost Control

With reference to literature review, since it was found that investments worth around NRS. 115.38 billion had been kept at hold due to the pandemic within the sector, along with financial borrowing of around NRS. 54.73 billion payables in the year 2020 (Magar, 2020), for the survival of the sector, it was essential to ensure control of fixed costs incurred. To address this issue, NTB had requested for reduction in bank interests, retention of human resources, and rent subsidy.

In terms of the Homestay Industry, fixed costs, namely the maintenance cost and loan and interest payable were found to be major challenges for the stakeholders within the industry.

One of the areas where the GoN addressed the request was human resource retainment. The consideration for employee retention related request was due to the large impact of the pandemic on this area. An amount of NRS. 20 billion was estimated to be required for the retention process alone. The 2-support provided are as follows:

### **1) Relief funds provided with an interest rate of 5%**

This support covers both, reduction in bank interests, and retention of human resources support request made by NTB. The scheme was developed with the intension of providing firms with sufficient funds to continue salary payments, even during the pandemic period. With reference to KII respondent Homestay experts, relief funds with minimal interest rate are an ideal type of support strategy that can be provided by the government. This is because through this scheme, beneficiary firms will have access to financial fuel. At the same time, firms will still be liable to financial institutions, preventing them from misusing the funds provided.

However, as the Homestay Industry is a small scaled, self-employment-based industry, no respondent Homestays had hired employees to conduct Homestay activities. Some respondent households hired extra help, but not particularly to conduct Homestay activities. *Due to this, the scheme was irrelevant in the context of Homestay Industry.*

### **2) Payment of salaries using the social welfare fund**

First of all, none of the KII respondent Homestay representatives were aware of the term social welfare fund. This is due to the business model of Homestay Industry. Since no respondent households hired employees, they were not obligated to provide benefits or financial reward during the pandemic. Indeed, Homestay businesses this was claimed to be one of the reasons for the resilience of the industry by the experts.

*The remaining 2 areas of support request made by NTB: reduction in bank interests, and rent subsidy, the GoN has not addressed these issues to a satisfactory level. Though the “Relief funds provided with an interest rate of 5%” scheme addresses the reduction in interest rate, this only applies to a specific issue, which is employee retention. This limits the Homestay Industry from accessing the support.*

There is no support provided for rent subsidy, as per the request. Although rent is not an issue for the Homestay Industry, since all the respondent Homestays conducted businesses on personal property (as discussed in chapter 6), the gap is still significant.

Through this study, the advantage of the Homestay Industry over other industries within the Tourism Sector is seen to be more significant.

## **ii) Cash Refinancing**

High interest rates adding to the costs incurred was seen as one of the major issues faced by the stakeholders of the sector. Hence, NTB had request for cash refinancing. Responding to this request, GoN, with the help of NRB announced refinancing of 3 types through the Monetary Policy 2020. These are as follows:

### **3) Refinance promoting entrepreneurship:**

In terms of the Tourism Sector, individuals who were previously involved in the sector, and had lost their jobs due to the pandemic, were eligible to receive loans up to NRS. 1.5 million if intend to be self-employed. Other “most effected” sectors such as micro, cottage and small enterprises, agriculture and animal husbandry, and hatchery and fisheries were also eligible for this refinancing. The refinancing was done at 5% interest rate.

Although some of the respondent households considered a withdrawal from the industry, as discussed in chapter 6, no respondent Homestays had applying for this scheme. Due to this, no Homestays were able to benefit from it.

### **4) Refinancing for specific prioritized sectors:**

This refinancing was aimed to aid businesses run by marginalized communities, such as women, tribal groups, and disabled people. The refinancing was done at 3% interest rate.

In terms of the Homestay Industry, 19 Homestay affiliated homes opted to take this scheme. They took this support to conduct renovation activities at their Homestay premises. They applied for it through the Agriculture Development Bank, Nepal at an

interest rate where, from the 8% interest payable, government absorbed 5% of the interest rate. The households were only obligated to pay 3% of the interest rate. All the homes taking this loan plan are a part of a single Community Homestay, situated in Bhaktapur. These homes were run by women, making them eligible for this.

However, not all women owned Homestays were able to benefit from this loan plan. After being approved of the loan, the owners of the homes situated in Bhaktapur communicated to some a Community Homestays situated in Kathmandu, with 9 affiliated homes about the loan plan, encouraging them to apply for the same. However, despite having a similar business model, the Homestays situated in Kathmandu were unable to access this loan plan.

The reason for the inability to access to this loan plan was explained due to difficulty to develop the required documents and due to lack of support from bank employee.

*“When we go to banks for support, or to offices for developing the required documentations, rather than encouraging women like us for taking a step forward and engaging in self-employment activities, they discourage us by showing bad attitude. They behave as if we cannot do anything by ourselves. If this is how they are going to behave, what is the point of providing Women Employment Support?” (Owner, Community Homestay, Kathmandu)*

Some officials and bank representatives with reference to KII respondents do not directly tell these women entrepreneurs that they are not capable enough, but through their attitudes towards these women, it can be understood that they are looking down at them.

This shows the existing gender inequality and discrimination in the country. It needs to be understood that such behavior was seen in Kathmandu Valley, known as the most developed and socially accepting metropolitan area of the country. If such behaviors are still seen in Kathmandu, it can be assumed that the situation in other, more rural districts are even worse.

## **5) General**

This refinancing scheme aimed to aid organizations that were not eligible for the previous 2 schemes. It aimed to aid businesses run by youth, and other most effected

industries. In terms of the Tourism Sector, it intended to benefit organizations located in geographically challenging areas, such as Langtang, Upper Mustang, Dhanushadham, and so on (PKF International, 2020).

Since the study area selected was Kathmandu Valley, no respondent Homestays had applied for this scheme.

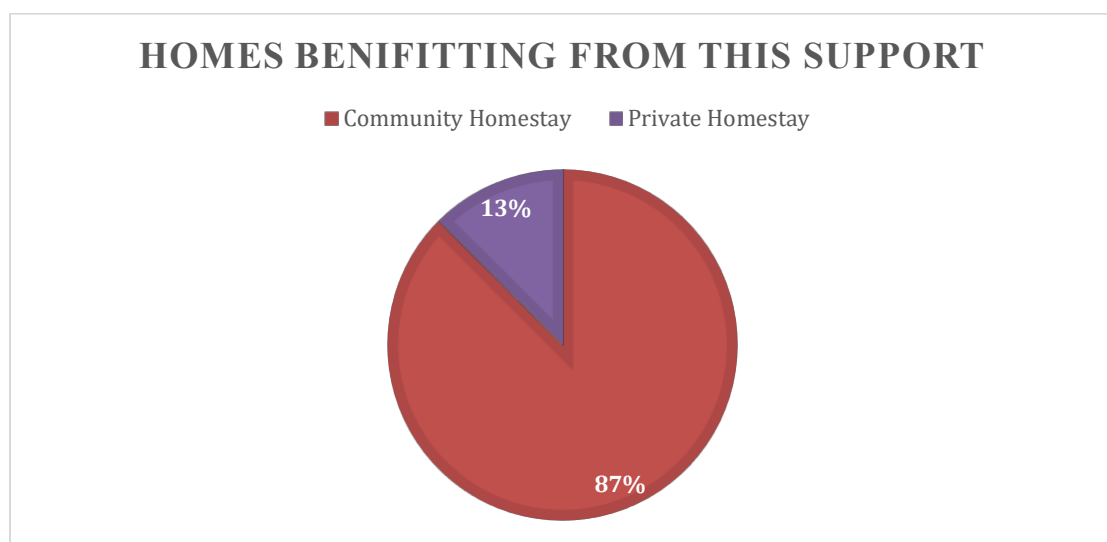
One of the major reasons for the Homestay Industry not being able to benefit from the refinancing scheme is that most loans taken by the households involved in the Homestay Industry were taken, and is intended to be taken as housing loan, rather than business loan. Housing loans are not eligible for refinancing. The reason for this is the challenging process of applying business loans, which will be further discussed in the following sections.

#### **6) GoN also provided an Extension of Loan Payment time**

33 respondent Homestay affiliated homes had taken loans prior to the pandemic. From them, only 8 Homestay affiliated homes (7 Community and 1 Private Homestay) were able to extend their loan payment time by 2 years. 2 Homestay affiliated homes repaid their loans after the pandemic, to avoid further accumulation of the loan, considering the unforeseen situation caused by the pandemic. The remaining 23 Homestay affiliated homes continued paying interests, even during the pandemic.

**Figure 7.1**

*Homes affiliated to Community and Private Homestays benefitting from loan payment time extension support.*



#### **Financial support provided through Commercial Banks versus Development Banks**

- 7) In terms of Commercial Banks, out of the 100% of the loans provided, 40% were required to be provided to priority sector businesses by 2024.
  - 8) On the other hand, in terms of Development banks and Finance companies, Development banks are required to provide at least 20% and Finance companies are required to provide at least 15% of its total loans available to sectors such as MSMEs, energy, agriculture and Tourism Sectors by the mid-July of 2024.
- NRB requested to reduce credit rates by 2% from all banks (Magar, 2020) to insure an easier access to financial support.

Finally, the last scheme provided was:

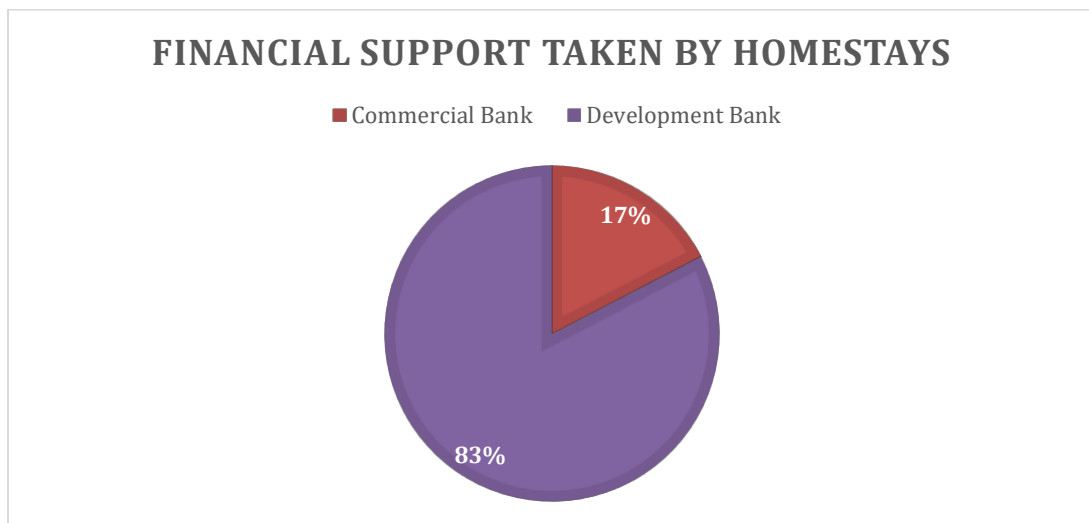
#### **9) A loan of Rs. 956.7 million approved for most affected businesses**

23 respondent households affiliated to Homestays have taken loans post the declaration of the pandemic. Amongst them, 19 have taken loans from Development Banks and 4 have taken loans from Commercial Banks. All of the 19 households taking loans from Development Banks are affiliated to Community Homestays, as discussed further in 7.2. Among these 4 households taking loans from Commercial Banks, 2 were affiliated to Community Homestays and 2 to Private Homestays.

A finding that needs to be noted is that despite a larger percentage of the loans provided by Commercial banks were required to be given to priority sector businesses by 2024 compared to Development banks, a larger number of Homestays have taken support from Development Banks. This shows that Development banks consider and prioritize providing financial support to businesses within the Homestay Industry, compared to Commercial banks. Commercial banks prioritize their commercial interest and provide support to larger, and more financially stable firms under the Tourism Sector.

**Figure 7.2**

*Financial support taken by Homestays from commercial and development banks, post declaration of pandemic*



However, it is also important to note that 2 households affiliated to Private Homestays cleared their loans post the declaration of the pandemic. The reason given was that, due to the uncertainty caused by the pandemic, the possibility of the stand-still situation could further exacerbate. This would lead to further depth accumulation for their businesses. Hence, they preferred to pay back the loans from their saving accounts in order to avoid paying interests during this period. Since there was a risk of economic collapse, this option was considered a safer option by them. This shows the lack of trust on the banking system, and social protection system of the country.

## **Discussion**

From this analysis, it can be understood that most governmental schemes were targeted towards the employees and workers of the Tourism Sector, rather than the business owners or the business performances. The schemes were developed with the intention of avoiding unemployment and/or salary cuts. Since Homestay businesses are self-run, small scale businesses, with marginal to no extra help taken, these businesses were not able to benefit from the schemes provided. As compared to other industries within the Tourism Sector, the Homestay Industry is a smaller industry, this feature of the industry may not have been considered by the governmental body while developing the schemes provided. This shows the lack of importance given to smaller industries, which may have suffered as severely or even more severely due to the pandemic than the bigger industries, by the government while developing the support.

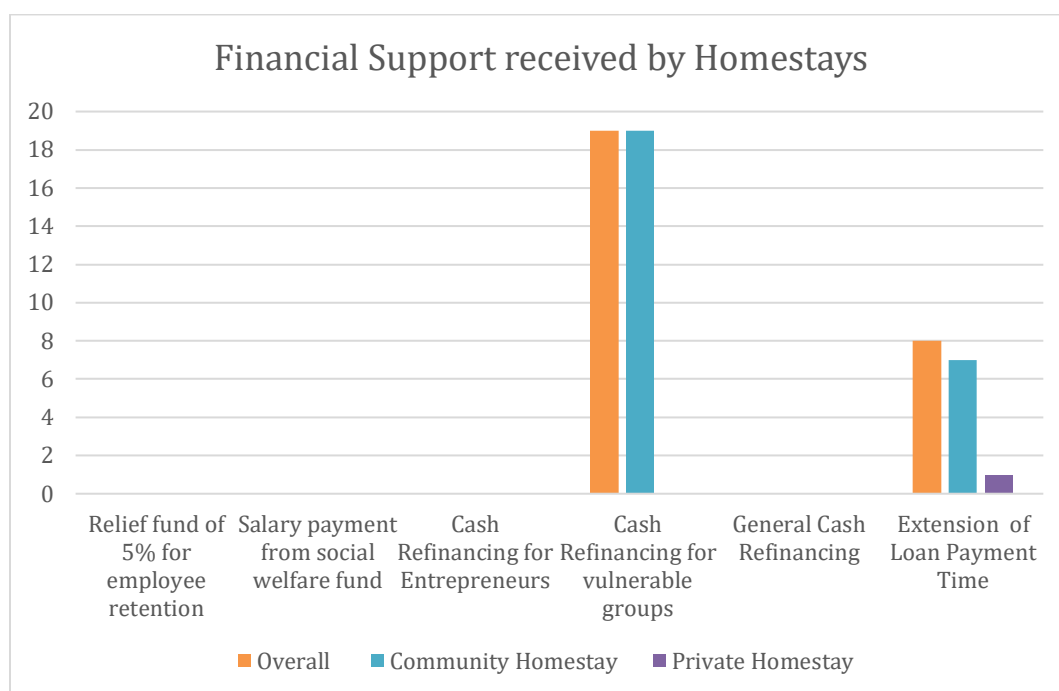
The only schemes that the Homestays were able to benefit from were the loan payment time extension and cash refinancing targeted towards the vulnerable communities. 8 Homestay affiliated homes extended the loan payment time by 2 years. These loans were taken prior to the pandemic. The loans taken after the declaration of the pandemic were not included under this scheme. The interest payable however is accumulated and is required to be paid after the extended time period. This can lead to the further accumulation of debt for the businesses, further enhancing the financial burden faced. Understanding this, 2 Private Homestays decided to payback the loans taken, rather than extending it.

The second scheme benefitting the industry is the cash refinancing targeting vulnerable communities. Twenty four percent of the respondent Homestays were able to access the cash refinancing scheme since the owners of these Homestays were women. This shows the considerable involvement of women in the industry, and the attention provided to female entrepreneurs by the government.

The financial support received has been illustrated in Figure

Figure 7.3

***Financial Support received by the Homestays***



The Figure 7.3 shows that almost all the support received were received by the households affiliated to Community Homestays. From chapter 5, it was found that more Community Homestays were affected by the pandemic compared to Private Homestays. It can be assumed that since more Community Homestays were affected by the pandemic, more Community Homestays are seeking for measures to cope with the pandemic. Hence, more Community Homestays have taken financial support provided.

With reference to KII respondent Tourism expert, more Community Homestays are taking recovery measures and financial support since there are several individual households affiliated to one Homestay. As the economic condition of several homes are being affected by the pandemic, there is more pressure to move towards recovery. Since Private Homestays consider the economic condition of just one household, there is lesser pressure to speed up the recovery process.

Furthermore, the loan taking process was eased for most affected sectors. This is because the NRB reduced the credit rates by 2% and asked the Commercial Banks, Development Banks and finance companies to provide a considerable percentage of their total loans to the most affected sectors like the Tourism Sector. Due to this, loans have seen to become more accessible for the Homestay Industry. However, again since

the Homestay Industry is comparatively a small industry, and there are many industries within Tourism Sector, the industry still has to compete with other industries to receive loans.

This was especially seen to be the case in Commercial Banks. Despite of Commercial Banks having to provide a larger percentage of their loans to the most effected sectors (40%) 82.6% of the loans taken by the Homestays were taken from the Development Banks. This shows the emphasis and the dis-emphasis placed by the two types of banks on this industry.

## **7.2 Homestays not using any Financial Support**

Fifty respondent Homestay affiliated homes have not benefited from any financial support provided by the government, from which 11 were Private Homestays and 39 were Community Homestay affiliated homes. From this, 15 (13 Community and 2 Private Homestay affiliated homes) were not able to benefit due to unawareness regarding them. This shows the lack of knowledge regarding governmental policies within the industry.

The government announces the support and schemes through several sources such as the television, radio, and online. In addition to that, these schemes and support have been covered by the news channels and online articles as well. The study area of the research is Kathmandu Valley. The electricity reaches in the metropolitan cities Kathmandu and Bhaktapur have 100% electricity reach and Lalitpur has an electricity reach of 99.88% (Nepal News, 2021). This shows that the lack of knowledge regarding the policies is most probably due to the lack of interest in this matter of the stakeholders.

Twenty-six Homestay affiliated homes were aware of the policy, but opted not to take it. From this, 21 Homestay affiliated homes, 14 Community and 7 Private Homestay affiliated homes did not take financial assistance as they did not need any assistance. They claimed that since the situation during the pandemic is uncertain, it is better for them to wait and watch how the situation turns out to be, before meaning any moves. Three Community Homestay affiliated homes did not apply for any financial assistance due to lack of confidence. They claimed that they were unsure about the sufficiency of

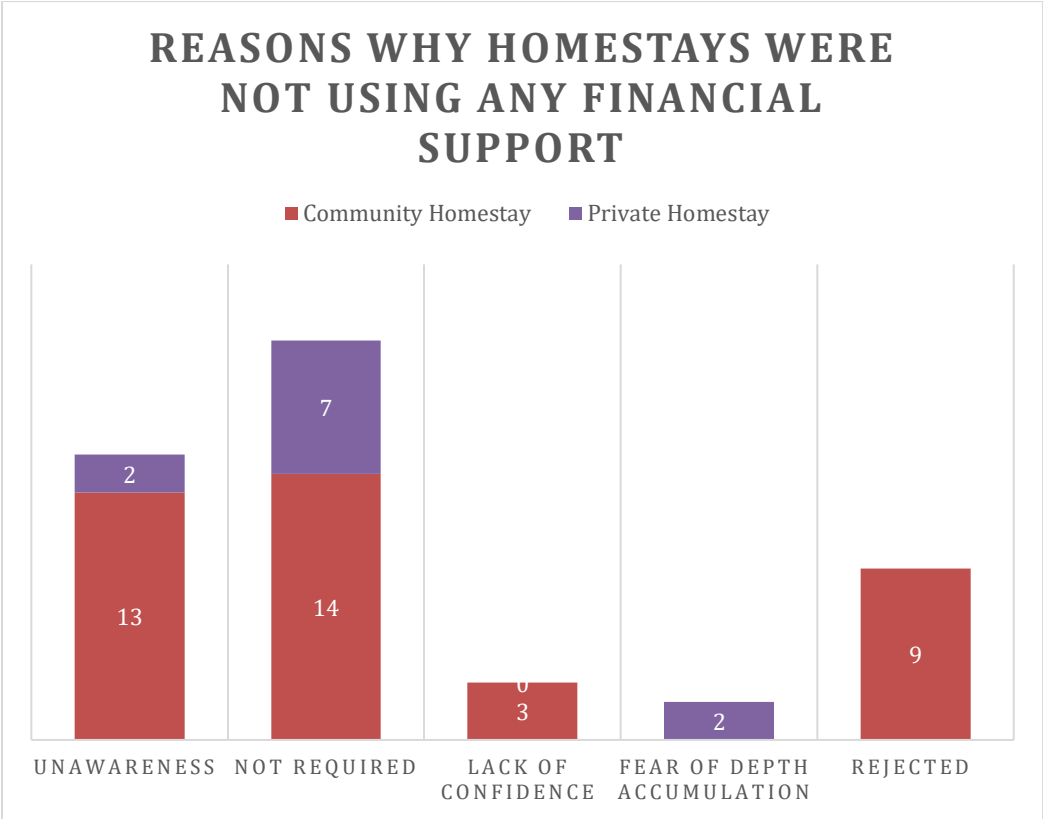
documentations and the and other requirements to apply for the schemas present. As a result, they did not apply for any of the schemes offered. And 2 Private Homestays did not take any financial support, namely the loan payment time extension scheme to avoid the accumulation of interest, with the fear unendurable financial burden.

The remaining 9 Community Homestay affiliated homes were rejected of the financial assistance applied for. This shows the difficulty of accessing financial assistance. This difficulty is addressed in the sub-section 7.3.

Figure 7.4 shows the percentage of the reasons for which, the households were not using any financial support.

**Figure 7.4**

*Reasons why Homestays were not using any Financial Support*



**7.3 Difficulty in accessing Financial Support**

One of the major factors understood through the research so far is the fact that despite of the existence of these schemes and funds, more than 50% of the respondents have

not been able to benefit from it. Hence, it is important to understand the reason for this inaccessibility.

With reference to the KII respondent Homestay representatives, the most common reason for the difficulty in accessing the financial support provided is the lack of documentation required.

The minimum required documents for obtaining any of the schemes are as follows:

- Financial Statements with audit report.
- Citizenship Certificate of Proprietors.
- Registration Certificate of businesses.
- Prabhandrapartra, Memorandum of Associations (MOA)
- Niyamawali, Article of Associations (AOA).
- Registration of PAN/VAT.
- Lalpurja, Certificate of Land Ownership.
- Building Completion Certificate if applicable.
- Charkilla, Four Boundaries Certificate.
- BluePrint and Trace Map, if applicable.

Since Homestays are small scale businesses, they usually do not develop all the required documentation, especially documents such as Audited Financial Statement, Charkilla and MOA, limiting them from financial access.

The reasons behind why the Homestays do not develop the required documents are as follows:

- Lack of knowledge and financial access to develop financial reports. The operational model of the businesses within the industry are informal, managed by a single family. This makes the process of book keeping and auditing very difficult.
- Lengthy and expensive process of developing governmental papers such as Lalpurjas and Charkilla.

- Lengthy, expensive and intimidating process of developing legal documents such as the MOAs and AOAAs, and lack of knowledge and/or ignorance about their requirements.
- Another reason why the Homestays lack these documents is because as Homestays host guests at their own homes, many homes in Nepal are hereditary homes that have been passed on to the current owners from their ancestors. Due to this, many documentations tend to be missing. Since the pandemic was a sudden occurrence, and since the governmental and legal offices remained closed during the pandemic, the Homestay affiliated homes were not able to develop these documents as well. This led to the exclusion of the Homestays from the financial support provided.

Apart from documentation, other factors that are considered by banks before approving financial support are payback capacity and backup collaterals possessed by loan taking businesses. Banks need to consider their commercial interests as well. Since banks have a limited capacity of providing loans, they choose to give these loans to larger, more financially stable and potentially profitable organizations compared to small scaled organizations like the Homestays. Multiple analyses are done before loan approvals. Only the firms that are seen to be feasible by the banks are then proceeded towards receiving these loans.

However, the NRB has obligated the commercial and development banks to provide a certain percentage of their total loans to the firms involved in the Tourism Sector. Knowing that it is also important to note that the Tourism Sector of Nepal itself is a huge sector, with many industries within it. Homestay being a fairly small and new industry within the sector, it is difficult for them to compete with other industries within the sector for loans.

The background of the proprietor is also looked upon by the banks before providing financial support. If a business is owned by individuals with a negative past financial track, the firm may have a difficult time accessing loans regardless of their business performance. This is especially true during the COVID-19 period. Since almost all businesses are struggling during the pandemic, it is difficult for banks to provide loans

only on the basis of the financial record of the businesses. Hence, the proprietor's track records are carefully analyzed before allocating loans.

Compared to commercial banks, it was seen that the development banks were more accessible for the Homestays. Some development banks even have an entire loan program developed especially for the Homestays. For example, the Agriculture Development Bank (ADBL) of Nepal has a loan scheme called the Homestay Service Loan. However, rather than opting for these loans, Homestays were seen to be more drawn towards the loans and support provided to women entrepreneurs. Since many Homestays own and are legally registered under the name of women, it is easier for Homestays to apply for loan plans directed towards women. Since the accessibility for these loan schemes was found to be more reachable by the respondent Homestays, they chose to opt for this loan plan option.

#### **7.4 Suggestions provided by Bank Representatives**

The bank representatives provided suggestions to the Government, for the improvement of policies developed. They also provided suggestions to the Homestays for better access to financial support. These are discussed.

##### ***7.4.1 Suggestions provided to the Government***

The bank representatives provided the following suggestions for the improvement of policies.

- a) The development of policies is not enough. Consultation and counselling should also be provided to the recipients.**

One of the major reasons why governmental support and funds do not reach the targeted audience is the lack of awareness.

*“This is not just in case of Homestays, but a case in the over sectors and industries within the country” - (Bank representative, Kathmandu)*

Policies communicated by the government tend to be done in complicated language, and presented in a manner that cannot be understood by all. Due to this, citizens of the country tend to overlook them. Hence, in order to improve this scenario, the bank

representatives suggest that there should be a counselling and consultation department in all financial institutions.

They suggested that there should be a counselling table in every financial institution, preferably near the entrance. There the people who come to take financial facilities can speak to the counsellor about the kind of facility they are seeking, the different options that can be explored and the requirements to obtain those facilities. The counsellor can also provide guidance as to how they can develop the required documentations.

In today's day and time, there are financial institutions present almost all over the country. This widened reach can be used by the government as a communication tool. Since one on one, face to face communication can be much more effective than one way communication done through news channels or online, especially in a country like Nepal, where the literacy rate of adults above the age of 15 was 68% in the year 2018 (World Bank, 2022).

This can be a win-win-win situation for both the government, since they will be able to communicate better with individuals all over the country, banks as they will be able to provide an increased number of employment opportunities, and citizens of the country who will be more informed about financial facilities provided.

#### **b) Efficiency of Decision-Making Process**

When there is a policy developed aiming to provide support or relief, the funds are provided through BFI's but the decision making is done by NRB. As the decision-making hierarchy for this process is tall, the decision-making time and cost tends to be higher. This leads to an inefficient decision-making process.

The bank representatives believe that if proper training and guidance are provided to financial institute representatives, the decision-making responsibility can be given to them as well. The national bank representatives can do regular or occasional monitoring to ensure transparency and accountability. This way, the hierarchy can be shorter and the time and cost can also be lower, making the process more efficient.

#### ***7.4.2 Suggestions provided to the Homestays***

The bank representatives provided the following suggestions for the Homestays.

a) Documentation development is important

Many Homestay representatives tend to believe that the development of documents is not required. Especially since the capital required for the Homestays are relatively lower, many homes do not take loans from financial institutes in their initial phases, making them unwilling to develop documentation. However, it needs to be understood that businesses without proper documentation can easily be excluded from receiving facilities and support that they deserve.

The Monetary Policies developed as a relief for the Tourism Sector for example. One of the major reasons why the financial institutions rejected the application of the Homestays was the insufficiency and/or inaccuracy of the documents. Since there are many levels of decision-making bodies involved in the support approving process, only the businesses with sufficient documents supporting their application process are approved of the support provided.

The pandemic was only 1 example of a situation where the Homestays were in need of immediate support. Since the Tourism Sector is vulnerable to various catastrophes, it is suggested for them to develop sufficient documentation in order to receive support even in the future.

b) Awareness is key

Knowing the law is a responsibility of every citizen of a country. When there is a law applicable and is not known by the citizens, the responsibility of this unawareness is of the citizens. Hence it was suggested for all Homestay affiliated homes to keep themselves aware of the present laws.

c) Taking help from third-party organizations

There are several third-party organizations that provide support to organizations in the development of documentations and other requirements such as forms and photographs in applying for financial support. For the Homestays that have issues developing the required documentations and other requirements, they can opt to take help from these third-party organizations.

## **7.5 Suggestions provided by respondent Homestays**

The interview respondent Homestay provided suggestions to the BFIS for better allocation of financial support. They also provided suggestions to the Government, for the improvement of policies developed. These are discussed.

### ***7.5.1 Suggestions provided to the BFIS***

The suggestions provided were as follows.

#### **a) Supportive behavior**

Homestay businesses are small scaled businesses. Many Homestay owners are people from marginalized groups. It is important to communicate with people from these marginalized communities with the respect that they deserve.

About 34% of the respondent Homestay owners were women. Societies in Nepal are still very patriarchal. Representatives of many organizations are chauvinists, making it difficult for women to approach them, excluding them from the facilities that they have the rights to obtain. With reference to the research, it was seen that female Homestay owners have faced issues surrounding chauvinist behaviors from BFIS staff.

*“It is not easy for women like us to come together and run businesses by ourselves. There are several challenges that we need to face. One of these challenges include dealing with the bank staff. They sometimes treat us like we cannot do anything. Rather than treating us like that, shouldn’t they be supporting and encouraging us?” - (Homestay owner, Kathmandu)*

These Homestay representatives have suggested the BFIS representatives to be more respectful towards all their clients, including female clients.

#### **b) Transparency**

With reference to interview respondent Homestay owners, some BFIS representatives deny financial support to the Homestay owners despite them fulfilling all the requirements set by them. They believe that the reason for the denial of financial support in such cases reflect the BFIS representative’s personal interest.

These kinds of practices are unethical practices. This shows a weak monitoring system of the BFIS where the unethical behaviors of representatives and staff are being overlooked.

### ***7.5.2 Suggestions provided to the Government***

The suggestions provided were as follows.

- a) Prove support directed especially towards the Homestay Industry

Since the policies provided were directed towards the Tourism Sector as a whole, it was difficult for Homestays to access the financial support provided due to the competitive competition. The Tourism Sector of Nepal is a large sector with several industries within it. Due to the limitations in financial support provided and the limited financial support providing capacity of both the government and the BFIs, Homestays were facing difficulties to access the financial support provided.

Similarly, since many funds provided targeted towards the Tourism Sector were not applicable for the Homestays, like the “payment of salaries using the social welfare fund”, the Homestays were not able to benefit from it.

Hence, the Homestays suggest that there should be industry specific support provided in the future.

### **7.6 Suggestions provided by Homestay experts to Homestay**

The Homestay experts suggested that registration of Homestays is very important. According to them, there are several Homestays running without registering, to avoid paying taxes and fulfilling the requirements that registered businesses need to fulfil. However, these Homestays were not able to benefit from the support and reliefs provided.

Unregistered businesses are not protected by laws. They will not be able to benefit from governmental support and protection. Though the Homestay Industry is a small industry and the businesses within the sector are small scale businesses, it is important for them to know that catastrophes like the pandemic may reoccur in the future. When that

happens, if the business is not registered, they will have to survive and recover from it without any official support. Hence the Homestay experts have urged all the Homestays in Nepal to register.

## **7.7 Chapter Summary**

From Chapters 5 and 6, it was understood that all respondent Homestay affiliated homes have been economically affected by the pandemic. Out of the 77 respondent Homestay affiliated homes however, only 28 Homestay affiliated homes have taken measures to recover from the pandemic. Out of the 28 Homestay affiliated homes, 25 Homestay affiliated homes have taken some kind of financial assistance to support their recovery strategy.

Out of the 22 Homestay affiliated homes, 19 have taken loans from BFIS for renovation of their Homestay affiliated homes as a measure of recovery, 3 Homestay affiliated homes have taken loans for non-renovation purposes, and 8 Homestay affiliated homes (including 5 Homestay affiliated homes who are renovating their properties, using loans from Development Bank) have successfully extended their loans (taken prior to the pandemic) payment time. The details are presented in Table 7.1.

**Table 7.1***Homestays benefiting from the schemes provided by the Government.*

	<b>Scheme</b>	<b>Total Homestays benefiting</b>	<b>Private and Community Homestays</b>	<b>Total</b>
a)	Relief funds provided with an interest rate of 5%	0	0	0
b)	Payment of salaries using the social welfare fund	0	0	0
c)	40% bank loans to priority sectors	28%	All Community Homestay affiliated homes, though 2 Private Homestay affiliated homes that were previously taking loans paid off their debts and 2 new Private Homestay affiliated homes started taking loans after the pandemic.	22 Homestay affiliated homes took loans after the declaration of pandemic from which, 19 Homestay affiliated homes took loans to renovate their properties.
d)	Extension of Loan Payment time	10.4%	87.5% Community Homestay affiliated homes and 12.5% Private Homestay affiliated homes	8 (Including 5 Homestay affiliated homes took scheme g as well)
e)	Refinancing of Loans up to Rs. 1.5 million if they intend to be self-employed	0	0	0
f)	Refinancing of loans in general category	0	0	0
g)	Loan of Rs. 956.7 million approved for most affected businesses	28%	All Community Homestay affiliated homes, though 2 Private Homestay affiliated homes that were previously taking loans paid off their debts and 2 new Private Homestay affiliated homes	22 Homestay affiliated homes took loans after the declaration of pandemic from which, 19 Homestay affiliated homes

			started taking loans after the pandemic.	took loans to renovate their properties.
h) & i)	Development banks required to provide at least 20% and Finance companies required to provide at least 15% of its total loans available to most affected sectors, like Tourism Sector/ Refinancing of loans for marginalized groups.	24.6%	All Community Homestay affiliated homes.	19

---

From Table 7.1, it can be seen that almost all of the benefits granted were granted to Community Homestay affiliated homes.

In terms of the 19 Homestay affiliated homes that have benefited from scheme “Development banks required to provide at least 20% and Finance companies required to provide at least 15% of its total loans available to most affected sectors, like Tourism Sector”, the Homestay affiliated homes took loans under the refinancing of loans targeted towards marginalized groups from Agriculture Development Bank, Nepal. The loans were taken at 8% interest rate, from which 5% was absorbed by the Government. As a result, these Homestay affiliated homes were only paying 3% interest rate.

Out of the 52 respondent Homestay affiliated homes who have not taken any financial assistance, 18 Homestay affiliated homes did not know about the policies and the schemes available, 24 Homestay affiliated homes were aware of the policies and schemes, but chose not to apply for it, and 10 Homestay affiliated homes were rejected of financial assistance.

The most common reason why the accessing of financial assistance is difficult is the lack of sufficient documentations required. Since Homestays are small scale businesses, they usually do not develop all the required documentation, due to reasons such as the lack of funds required, a lengthy and intimidating process of developing the required documents, and the lack of awareness and/or ignorance towards the development of

these documents. Apart from this, other factors such as the payback capacity, the availability of sufficient backup collaterals, and an unfavorable background of the proprietor also make it difficult for the Homestay affiliated homes to access financial support provided.

## **CHAPTER 8**

### **DISCUSSION, CONCLUSION AND RECOMMENDATIONS**

This chapter presents a summary of the objectives in hand, the key findings found through the research, discussion, and conclusion, along with recommendations.

#### **8.1 Summary of Findings**

After the declaration of the COVID-19 pandemic on the 11<sup>th</sup> of March 2020 (WHO, n.d), the economic condition of individual, economic performances of businesses and the GDPs of countries all around the world were impacted negatively. This study has looked upon the economic impact of the pandemic on the Homestay Industry of Kathmandu Valley, Nepal.

In order to do so, firstly, the economic changes seen by the Homestays of Kathmandu Valley were analyzed over 3 phases; the pre-pandemic phase (2019), during pandemic phase (2020 and 2021), and the current phase (2022). Secondly, to better understand the impact brought by the pandemic, the level of resilience of the stakeholders involved in this sector was analyzed by understanding the strategies and measures taken by them to recover from the pandemic. Lastly, since the pandemic was a sudden and devastating occurrence, there were 9 types of financial supports provided by the GoN, targeted towards the Tourism Sector. The role of these support in the recovery of the industry is comprehended.

#### **Economic change brought by the pandemic.**

Before the pandemic, more than 80% of the Homestays were performing above average. After the pandemic was declared and 2 nationwide lockdowns, along with travel restrictions were placed, in the years 2020 and 2021, all the Homestays suffered from a poor economic turnover. Despite the expenses incurred decreased during the pandemic, due to a steeper fall of the revenue generated, majority of the Homestays bared losses. Community Homestay affiliated homes bared more losses compared to Private Homestay affiliated home.

However, in the current phase, the lockdowns have been lifted and travel restrictions have lifted as well for fully vaccinated travelers, giving hopes for an improved economic standing for the Homestay Industry. 63% of the Homestays expect to perform satisfactorily, and reach at least a break-even point till the end of 2022.

In terms of the difference between the financial performances of Community and Private Homestays, it was found that there was no significant difference between the profits gained by these 2 types of Homestays pre-pandemic. However, after the declaration of the pandemic, there was a significant difference between the profits generated by these 2 types of Homestays in the years 2020 and 2022. Nevertheless, in the year 2021, the difference was not significant. This could be the result of 2 factors, firstly as both types of Homestays were generating bare minimum, to no revenues, the profit generated did not have a significant difference. Secondly, since households cut down on their maintenance cost, the expenses incurred may have decreased in a similar matter as well, causing this insignificance. This argument can be backed up by the finding of regression analysis conducted, where the maintenance cost did not have a significant impact of the profits generated, only in the year 2021.

Majority of the Private Homestays were able to manage at least a break-even state even during the pandemic, whereas majority of the Community Homestays suffered from losses. Even in-terms of the financial borrowing, it was seen that Community Homestays borrowed more from the BFIS post the declaration of pandemic compared to Private Homestays. This could be because Community Homestays were more in need of financial support then the Private Homestays making them more eager to receiving support. This is also assumed to be the case since in terms of Community Homestay, a community is dependent on the business, as oppose to Private Homestay, where one household is dependent on the business.

This shows that the Private Homestays were more resilient to the pandemic compared to the Community Homestays. This resilience is a product of 2 factors; the first one being quick decision-making power, since each homes run as individual Homestays, this gives the owners the liberty to make decisions quickly. Due to this ability, Private Homestays were able to develop programs targeting domestic customers during the pandemic, though the original nature of Homestay business model of Kathmandu

Valley primarily targets foreign customers. Community Homestays did not make such changes, even during the pandemic.

The second factor is the smaller number of customers hosted by Private Homestays, making customer management process easier and more flexible. Even in terms of customers, staying at a home with lesser number of people during the pandemic period helped them travel without being exposed to large number of individuals.

### **Measures taken to recover from the pandemic**

All the households affiliated to Homestays faced challenges due to the pandemic, such as the decrease in the demand for Homestay and non-Homestay services, high maintenance cost, difficulty to payback financial depths and risk of virus spread. However, it was found that some challenges affected Community Homestays more and vice versa.

In addition to this, it was found that despite the existence of travel restrictions placed, including the requirement of negative PCR results and quarantine, Homestays, especially Private Homestays were still uncomfortable hosting customers during the pandemic, and even now. This shows the lack of trust on the system and the level of fear amongst the stakeholders.

Despite all the Homestays having faced challenges and more than 60% of the Homestays having future concerns regarding the industry, it was found that only 36% of the Homestays took measures to recover from the pandemic. Amongst the remaining 64% of the Homestays not taking any measures, 24% were hopeless about the recovery and were considering the withdrawal from the industry as a whole. However, on the other hand, 76% of the Homestays did not take any measures. as they believed it was better for them to wait and watch until the situation improves, before taking any measures. They believed making moves during uncertain situation may lead to creation of even more challenges for them. However, what gives these Homestays the choice to simply wait and watch could be the advantages that the Homestay Industry enjoy over other industries within the tourism sector.

From the measures taken by the Homestays,

With reference to Rai, 2020, the major challenges faced by industries within the Tourism Sector, such as the hotel industry were salary, rent and interest payments. Considering the structure of the Homestay Industry, businesses within this sector do not have to consider rent payment and salary payment as a challenge, since they conduct their business activities within their personal premises, and the overall business activities are conducted by the business owners themselves. This makes the businesses within the sector more resilient to the pandemic.

Nevertheless, the recovery measures used by the 36% of the Homestays were renovation of Homestay premises done by 19 Community Homestay affiliated homes, organic farming done by 2 Private Homestays, and targeting domestic customers done by 5 Community and 2 Private Homestay affiliated homes. With reference to KII respondent Homestay representative, the households held off maintenance activities after the declaration of the pandemic. This can be seen as a short-term cost cutting strategy used by them.

Lastly, one of the suggested measures recommended by the KII respondent Homestay expert was the shift of major business activities like marketing to digitalization. NTB, along with PUM Netherlands Senior Experts provided a week-long training session on digital marketing for the tourism sector on the July of 2022.

### **Financial support for recovery**

The national bank of Nepal, NRB provided 9 types of financial schemes to support the recovery of the most affected sectors, including the Tourism Sector of Nepal, post the declaration of the pandemic.

A total of 23 Homestays have taken financial support from banks, amongst which 19 were taken from Development Banks (all Community Homestay affiliated homes) and 4 from Commercial Banks (2 Private and 2 Community Homestay affiliated homes). The 19 household who took financial support from Development Banks took the loan in a refinanced rate, which was initially supposed to be provided in 8% interest rate, but 5% of the payable interest was absorbed by the government. Only 3% interest was payable by the households.

Eight households who had taken loans from Commercial Banks prior to the pandemic were able to extend their loan payment time by 2 years. However, the interest rates payable accumulated is required to be paid after the extended period.

Due to this, 2 Private Homestays who had taken loans prior to the pandemic opted to repay the loan taken after the declaration of the pandemic. They decided to do so as the stand-still situation brought by the pandemic had the potential to last for an extended period, making it even more difficult to pay back in the future. Due to this, this particular scheme can be looked at from both a positive and negative aspects. Positive since it provides financial ease to the stakeholders in the short term. Negative as it puts further pressure on the stakeholders in the long term.

It is clear that about only a half of the schemes were used by the Homestays as the remaining schemes were not relevant for the industry. Those other schemes were developed targeting the employees, and not the owners involved in the Tourism Sector. This shows 2 factors; firstly, the government prioritized the protection of employees more, compared to the business owners, and lastly, the schemes developed were developed without the consideration of the unique feature of the Homestay Industry. Homestay Industry, despite being a small scaled industry needs to be considered while the development of the scheme, as the industry has been greatly impacted by the pandemic.

However, for the remaining schemes that are relevant and accessible for the Homestay Industry, it can be seen that less than 50% of the households have been able to access it. The reason for this were as follows:

- Lack of sufficient documentations. This is acknowledged as the most common reason for the inaccessibility by all KII respondents. The major reasons for the households not having the required documents were due to its expenses, the time taken for development, the intimidating process of document development, lack of knowledge regarding their importance, and due to unorganized flow of finances. To further explain the unorganized flow of finances, one of the most important documents required to access financial support is the audited financial

statement. Since the financial inflow and outflows of the Homestays are usually unorganized, the development of this document is very challenging.

- Due to lack of payback capacity and backup collaterals. Since the national bank has obligated BFIS to provide a certain percent of their total loans to businesses within the Tourism sector, these BFIS are obligated to provide loans to stakeholders within the sector. However, since Homestay businesses do not have sufficient payback capacity and backup collaterals compared to other industries like the hotels and restaurants, banks Homestay businesses have faced difficulty to access finances even after the scheme developed.

Compared to Commercial Banks, it was found that Homestays were able to access financial support more easily through Development Banks. In fact, the Agriculture Development Bank of Nepal (ADBL) also provides a loan program called Homestay Service Loan.

## Key Findings

**Table 8.1**

### *Key Findings*

Finding	Explanation
1. Private Homestays were more resilient to the pandemic compared to Community Homestays.	<ul style="list-style-type: none"> <li>• A larger percentage of Community Homestays bared losses in the years 2020, 2021 and 2022. There was a significant difference between the profits generated by the 2 types of Homestays in the years 2020 and 2022.</li> <li>• Fourteen percent of the households affiliated to Community Homestays were considering a withdrawal from the industry.</li> <li>• The reason for this resilience, as explained by KII Tourism experts were the liberate decision making ability of owners and the small and controllable number of guests hosted by Private Homestays.</li> </ul>
2. More Community Homestays have taken measures to recover from the pandemic.	<ul style="list-style-type: none"> <li>• Ninety percent of households taking measures to recover from the pandemic are affiliated to Community Homestays.</li> <li>• Eighty-five percent of the households taking financial support post pandemic are affiliated to Community Homestays.</li> </ul>
3. Only 36% of the respondent households took measures to recover from the pandemic.	<ul style="list-style-type: none"> <li>• Forty eight percent of the households affiliated to Homestays were waiting and watch until the pandemic situation improved in order to develop measures of recovery.</li> </ul>

- Fifteen-point five percent of the households were planning to withdraw from the industry.
  - From the 36% of the households, 68% renovated their homes for future business purpose, 25% have targeted domestic customers, and 7% are opting to do organic farming as a source of food for personal consumption and to provide to their customers.
  
- 4. Forty-eight percent of the respondent households affiliated to Homestays decided to wait and watch until the pandemic situation improves in order to develop measures of recovery.
  - They claim that due to the uncertainty created by the pandemic, making any moves now have the potential to create further challenges for their businesses.
  - They prefer to prioritize their health rather than financial loss.
  - This could have been possible to do for these households as they do not have to pay their employees or pay rent during the pandemic.
  
- 5. Homestay Industry have advantages over other industries within the Tourism Sector, making them more resilient towards the pandemic.
  - Homestays almost never hire extra help for business activities. Due to this, during the pandemic, they were not obligated to pay salaries to employees.
  - Most homestays conduct their business activities in their personal premises, so they did not have to pay rents during the pandemic.
  
- 6. Almost half of the governmental support
  - Three out of seven schemes were targeted towards the employees, and not the business owners or the businesses as a

- |  |  |
|--|--|
| <p>provided to aid recovery of Tourism Sector is not relevant for the Homestays Industry</p>   | <p>whole of the sector. This shows that the government prioritized working level stakeholders of the sector.</p> <ul style="list-style-type: none"> <li>• This show that while developing these schemes, the government did not consider the unique features of the Homestay Industry.</li> </ul>  |
| <p>7. Development Banks are more accessible for the Homestay stakeholders compared to Commercial Banks.</p>                                    | <ul style="list-style-type: none"> <li>• More loans have been taken from Development Banks compared to Commercial Banks.</li> <li>• Some Development Banks like the Agriculture Development Bank (ADBL) of Nepal have special schemes provided especially for the Homestay Industry.</li> </ul>  |
| <p>8. There is an existence of gender discrimination in financial and governmental system of the valley.</p>                                   | <ul style="list-style-type: none"> <li>• Female KII Homestay representative respondents claimed that when approaching banks for financial support, and governmental and legal representatives to develop documentations, the representatives of these organizations look down upon the female entrepreneurs, and doubt their ability to run businesses.</li> </ul>           |
| <p>9. Homestay stakeholders show hesitance to trust the governmental system protecting the industry from the effects of COVID-19 pandemic.</p> | <ul style="list-style-type: none"> <li>• The respondent Homestay representatives showed concern of virus spread, despite the COVID-19 lockdowns and travel restrictions placed by the government.</li> <li>• NTB has developed COVID-19 protocols for the Tourism Sector, which is not specific to the unique features of the Homestay Industry. A private sector</li> </ul> |

<p>10. Maintenance cost did not have a significant impact on the profits generated by the Homestays in the year 2021 alone</p>	<p>company developed the COVID-19 protocol for the Homestay Industry.</p> <ul style="list-style-type: none"> <li>• Maintenance cost management was identified as one of the major challenges faced by the Homestays after the declaration of the pandemic since it is a fixed cost that incurred despite of the decrease in customer footfalls.</li> <li>• In 2021 however, it did not significantly impact the economic performance of the Homestays. This could be the case since Homestays did not perform maintenance activities during this year.</li> <li>• The reasons for not conducting maintenance were to cut cost and due to the inaccessibility to laborers due to lockdown and travel restrictions.</li> </ul>
--	--

---

## 8.2 Discussion of Findings

The years 2020 and 2021 saw a decline on the economic performance of the Homestay Industry. The fall in revenue generated was due to the sudden, unprotected, and unprecedented fall of customer footfalls caused due to the lockdowns, travel restrictions and closure of international borders. Since the Homestay Industry depended heavily on foreign tourists, the travel restrictions placed put the firms almost completely out of business. Along with the fall in revenue generated, there was a fall in expenses incurred by these businesses as well. It was a result of decrease in costs caused due to fall in customer footfalls, and due to the effort of Homestays to cut cost, mainly by cutting down maintenance cost. However, due to the steeper fall in revenue generated, about more than 50% of the Homestays made losses during the pandemic phase.

In the year 2022, the lockdowns and travel restrictions for all vaccinated travelers have been lifted. However, despite that, majority of the Homestays expected to only perform satisfactorily and not well, showing that they were not expecting a full recovery just yet. It was found that Homestays feared the possibility of the demand for Homestays services including the demand for non-Homestays services, as well as Tourism services as a whole falling. Due to this fear, 12 Homestays considered exiting the market as a whole. Even though the economic conditions of the Homestays weakened due to the pandemic, this decrease in demand was considered more important to deal with. The 3 measures used, namely renovation of Homestay premises for future business activities, targeting of domestic customers and organic farming focused on promoting these services, rather than dealing with the economic fall.

Renovation was done with the intention of attracting customers through the premise's esthetic enhancement and improved facilities. Targeting of domestic travelers was done with the intention of expanding the market of the industry to increase customer basis. One of the reasons why organic farming was done was in order to increase the non-Homestay services offered, which could support marketing activities. All of the 3 strategies further incurred expenses, rather than cutting it, emphasizing the priority of Homestays. However, with reference to KII experts, most Homestays had stopped, or limited their spendings on maintenance, as an immediate short term cost cutting strategy, and also due to the lack of resources (human and materialistic) required for these activities, caused due to the pandemic.

This cutting down of maintenance cost is assumed to be one of the reasons why there was an insignificant difference between the profits generated by the Community and Private Homestays during the year 2021, unlike the years 2020 and 2022. With reference to the regression analysis conducted, the maintenance cost incurred significantly impacted the profits generated by the Homestays in the years 2019, 2020 and 2022. Only in the year 2021, it did not significantly impact the profit. From this it can be assumed that both types of Homestays cut down their maintenance cost in a similar pattern in the year 2021. Another reason for this insignificance is assumed to be the extreme fall of revenue generated by the Homestays in the year 2021.

Though the pandemic has impacted the earnings of the Homestays in the years 2020, 2021 and 2022, since the pandemic was declared in the 3<sup>rd</sup> month of 2020, some Homestays had already conducted economic activities in the year 2020. Since the travel restrictions have been removed for fully vaccinated customers in 2022, Homestays have started conducting economic activities, making the year 2021 the most effected year in terms of the revenue generated. However, in terms of the losses made, it was found that the losses made in 2020 was greater than that of 2021, mainly due to the higher costs incurred in 2020 compared to 2021.

In terms of the financial aspect of recovery, measures such as renovation of Homestay premises, require financial funding, which could have been challenging for the Homestays to manage. One of the financial supports provided, namely the cash refinancing scheme provided targeting most vulnerable communities was used by the households to implement this strategy. Nineteen households, all affiliated to Community Homestay used this scheme in practicing this implementation. The refinancing was done through Development Bank rather than Commercial Bank. The households were eligible for this scheme since the businesses were run by women entrepreneurs, who are considered a vulnerable group require additional financial support. This provides the women in the country to carry out economic activities with more financial support.

Apart from this scheme, the other scheme by which the Homestays benefitted from was extension of loan repayment time. The remaining schemes provided however did not benefit the Homestay Industry.

## Community and Private Homestays

**Table 8.2**

*Difference between Community and Private Homestays*

Points	Community Homestay	Private Homestays
a. Functions	Community Homestay is a model where more than 5 households come together to conduct business activities. Decision and strategies are made as a group. Rather than this system being a strict organizational function, it is more like a community coming together to achieve a similar goal. Since many homes are a part of one Community Homestay, a larger number of customers can be hosted.	Private Homestays are individual homes that conduct the overall business activities individually. Limited number of rooms are provided to customers. Usually, solo travelers or small groups are suitable to stay in a Private Homestay. Since a smaller number of guests are hosted and the overall Homestay activity is managed by one owner, decision making is more flexible.
b. Effect of COVID-19 pandemic: The difference between the profit generated by the 2 types of Homestays were found significant in the years 2020 and 2022.	More than 50% of the households bared losses in the during-pandemic phase. The number of customers welcomed by a single home during the pandemic was lower than the number of guests welcomed by a Private Homestay.	Less than 50% of the Homestays made losses during the pandemic phase. Due to the flexible decision-making ability of the Homestays, quick cost cutting measures and creative customer attracting and managing measures was taken, making them more resilient to the pandemic. However, despite this, in the year 2021, revenues dropped to a bare minimum, nullifying the significance

between the profits generated between the 2 types of Homestays.

c. Challenges faced by Homestays: Some challenges were more significant for one type of Homestay compared to other	Decrease in demand for non-Homestay services effected Community Homestays more. Since it was found that the income generated by Community Homestays depended more on non-Homestay services, decrease in demand for these services affected Community Homestays more, increasing their vulnerability.	The risk of virus spread affected Private Homestays more compared to Community Homestays, since a single home accommodates a larger number of guests compared to a single Community Homestay affiliated home. Though Community Homestays as a whole host a larger number of customers, a single home involved offers only 1-2 rooms. Due to this, there are a larger number of guests living with Private Homestay host family, increasing the spread of virus amongst the guests and the hosts, increasing their vulnerability.
--	--	--

d. Homestays not taking measures to recover from the pandemic: 49 homes did not take any measures	37 Community Homestays affiliated homes decided to wait and watch for the situation to improve, before taking any strategies. The uncertain nature of the industry drove them to make such decision. This was possible for them to do since firstly, these stakeholders did not have to pay rent or salary,	7 out of 12 Private Homestays decided to wait and watch for the situation to improve, before taking any strategies. The uncertain nature of the industry drove them to make such decision. This was possible for them to do since firstly, these stakeholders did not have to pay rent or salary, making them able
---	---	--

	making them able to hold off. Secondly, these stakeholders did not completely depend on the Homestay activities for their earnings. Only 11 homes depended 80% to 100% on Homestay activities for their economic gain.	to hold off. Secondly, these stakeholders did not completely depend on the Homestay activities for their earnings. Only 1 home depended 80% to 100% on Homestay activities for their economic gain. Another reason for this was the risk of virus spread. Homestays prioritized their health during this time, rather than economic gain.
	11 homes are considering a full withdrawal from the industry, since they believe the recovery of the industry will take a very long time.	1 Homestay considered the withdrawal from the industry.
e. Measures taken to recover from the pandemic:	24 homes took measures to recover from the pandemic. It is also important to remember that out of 77 respondents considered for this research, 65 were from Community Homestays, causing this situation. Secondly since more Community Homestays suffered from the pandemic as discussed in the previous point, it can be assumed that more and 4 Private Community Homestays needed measures to recover from the pandemic, causing this situation.	Only 4 Homestays took measures to recover from the pandemic. Most homes decided to wait until the situation improved to take any measures. This could have been possible since lesser number of homes bared losses during the pandemic.
d. Financial Support taken:	26 homes took measures to recover from the pandemic. This	Only 1 Homestay was able to benefit from the financial

Out of the 27 can again be assumed because support, namely the loan payment homes taken more Community Homestays time extension scheme. financial support, bared losses, and required 26 were measures to recover from the Community and 1 pandemic. In order to take Private Homestay measures, financial support was affiliated homes. required, causing this situation.

---

### **8.3 Conclusion**

This section aims to conclude the study by providing a generic key finding in relation to the objectives set. It will review the value and contributions thereof of the study, along with the limitations and the future prospects.

The study aimed to understand the transition of the Homestay Industry of Kathmandu Valley, Nepal from the pre-pandemic phase, into the pandemic phase, and towards the path of recovery. The results indicated that the economic flow of the industry dropped to a great extent during the pandemic, but the stakeholders are expecting to pick up the pace now, since the lockdowns and the travel restrictions have been lifted.

Further findings showed that during the pandemic, all the Homestays faced challenges, and more than 60% of the Homestays had concerns about the future of their Homestays. Despite this, only about 36% of the Homestays took measures to recover from the pandemic. The most common measure taken was the renovation of the Homestay premises to promote future business prospects. All of the households taking this measure took loans from Development Banks rather than Commercial Banks, showing that the accessibility to Development Bank was more approachable for these stakeholders. The loan plan taken by them is a part of governmental refinancing scheme to support marginalized entrepreneurs.

The findings also showed that almost half of the schemes developed by the government targeted towards the recovery of the Tourism Sector were irrelevant to the Homestay Industry, as it focused on employees, rather than business owners or the business itself.

Homestay businesses higher minimal to no employees to conduct business activities, which made the Homestay Industry more resilient towards the pandemic, as they did not have to deal with salary payments. This feature of the industry however was not considered by the government before the development of the schemes.

The reason for the industry not being considered, or only moderately being considered by the government, and possibly other NGOs and private sector companies could firstly be due to the size of the industry. This industry is just one of the many, mostly larger industries within the tourism sector. Secondly, it could be due to the fact that this industry is fairly a new industry. Due to this, there are minimal to no materials available regarding the Homestay Industry. This paper provides an insight on the industry. With the Homestay businesses following a sustainable business model, this insight is even more valuable not just in domestic context, but also the global context. It is a business model that can be adopted by people interested in self-employment in the tourism sector, but do not have the funds to start large businesses.

In addition to that, the industry had suffered immensely due to the pandemic, pushing the businesses to a standstill situation. The paper shows light on the struggles faced by the stakeholders within the industry, with the hope that the government considers the industry while developing future schemes and support.

Nevertheless, due to the limitations of time, budget, travel restrictions due to the pandemic, and professional research experience, there have been limitations to the study. Since there was a travel restriction placed during the time of data collection, most sample collection was done online, limiting the extent of obtaining valuable information. Due to the uneven number of Private and Community Homestay affiliated homes contacted for data collection, and due to the limited data collection from Private Homestays, only non-parametric tests were conducted for this study. Finally, due to the restriction of mobility, only Kathmandu Valley, an urban area could be taken as research area.

In short, the effect of the pandemic on the Homestay Industry was destructive, but the industry is now in a slow but sure path towards recovery. Majority of the businesses have not taken measures to recover from the pandemic. Only about half of the financial

support provided for the Tourism Sector are applicable for the Homestay Industry, showing an ignorance of the government on this industry. In order to improve this situation, studies and researches on the industry needs to be conducted. With this intention, this study has been conducted. However, due to the travel restrictions, along with time and budget constraints, Kathmandu Valley was taken as the study area. For future studies on the industry, rural study area is recommended since the Homestay business model was developed to enhance rural tourism growth.

### **8.3 Recommendations**

For further enhancement of the industries, the following recommendations can be implemented by the Homestay stakeholders.

- 1) Development of a standardized COVID-19 protocol for the Homestay Industry is recommended to be done by the Government of Nepal (GoN)

Homestay Industry is an industry with features that are very unique compared to the other industries within the Tourism Sector. Host family welcome guests into their personal homes, and the guests live as a family member. Due to this, there is a very intimate contact between the 2 parties. This makes both the parties extremely vulnerable to the spread of COVID-19 virus. Hence, to protect these parties from the spread, it is essential for the government to develop a standardized COVID-19 protocol targeted especially for the Homestay Industry. There is a COVID-19 protocol developed for the Community Homestay by a private sector company, Community Homestay Network. However, firstly this protocol targets only the Community Homestays, and secondly, this protocol was developed keeping in mind the Homestays under the network. Hence, it is not relevant for all the Homestays in the country.

- 2) It is recommended that the financial support provided by the government, targeted towards the Tourism Sector should be developed to benefit the employees, along with the business owners and the businesses itself of the sector.

Again, the Homestay Industry is unique to the other sectors within the Tourism Sector, as it is a small scaled industry run by self-employed individuals. Due to

this, the businesses rarely, to never higher employees. Hence, these businesses were not able to benefit from the support provided by the government, targeted towards the employees.

- 3) With regards to the loan payment time extension scheme, the interest rates payable is recommended to be absorbed fully or partly by the government.

The current loan payment time extension scheme allows proprietors to pay the loans taken prior to the pandemic after an extended period of time, 2 years in case of Tourism Sector. However, there stakeholders need to pay the accumulated interest payables after the extended time. For the short term, the scheme provides support to the proprietors, but in the long term, this scheme further extends their financial burden. Hence it is recommended for the government to absorb the interests payable fully, or partly of the pandemic period.

- 4) The loan payment time of the loans taken after the declaration of the pandemic is also recommended to be extended, or absorbed by the government.

Several Homestays were in need of loans post the declaration of the pandemic. However, the interest payable added to their financial burden. Hence, the interest payable is recommended to be absorbed by the government, or extended to post pandemic phase.

- 5) Need to initiate awareness program regarding the access to financial support.

Despite the existence of financial support, it was found that some Homestay owners were unaware of them, and some were too intimidated by the application process, marginalizing them from the schemes. Hence, it is recommended for NTB to conduct awareness program regarding these schemes.

- 6) Homestay owners are recommended to target domestic market.

Due to the feature of the Homestay Industry, it was found that the ideal customers for these businesses were international customers. However, through

the pandemic, it was understood that it is not practical to depend 100% on international customers. Hence, Homestay businesses are recommended to create a demand for their services in the domestic market as well. Marketing strategies and promotional efforts are required for this process.

For further study on the Homestay Industry, it is recommended to consider rural areas rather than urban areas as study site, since the Homestay model was introduced by the government to promote rural development. Also, since interesting differences between the effect of the pandemic on Community versus Private Homestays were found through the study, further study to deeply understand the difference between the 2 types of Homestays is recommended to be conducted. In this study, financial support provided by the government was considered. For further studies, support provided by the NGOs is recommended to be looked upon.

Analysis of the impact of the COVID-19 pandemic on the Homestay Industry after WHO declares the end of pandemic is also recommended to be conducted, to analyze the overall impact of the pandemic. It is suggested to analyze how the situation of the Homestay businesses have developed in that phase, compared to the 3 phases compared in this study.

## REFERENCES

- ADB., 2022. *Nepal Macroeconomic UPDATE Update*. Available at:  
<https://www.adb.org/sites/default/files/institutional-document/786571/nepal-macroeconomic-update-202204.pdf>
- ADB., n.d. *ECONOMIC ANALYSIS*. Available at:  
<https://www.adb.org/sites/default/files/linked-documents/43524-014-nep-ea.pdf>
- Adhikari, B., 2020. *Steps Taken for Development of Home Stay Tourism in Nepal. NUTA Journal*, 7(1-2), pp.18-30.
- Anurag Creation. (2020, May 23). *MunaMadan - Laxmi Prasad Devkota* [Video]. YouTube.  
<https://www.youtube.com/watch?v=TmfWgOFJxnU>
- Australia Homestay Network, 2022. *AHN - Australian Homestay Network - Hosting Australia*. [online] Australian Homestay Network. Available at:  
<<https://www.homestaynetwork.org/#:~:text=A%20homestay%20is%20a%20cultural,meals%2C%20assistance%20and%20other%20activities.>>>
- Awale, S., 2020. *Nepal extends COVID-19 testing but no new cases*. [online] Nepalitimes.com. Available at: <<https://www.nepalitimes.com/latest/nepal-extends-covid-19-testing-but-no-new-cases/>>
- Awale, S., 2021. *Kathmandu locks down again*. [online] Nepalitimes.com. Available at:  
<<https://www.nepalitimes.com/latest/kathmandu-locks-down-again/>>  
[Accessed 15 May 2022].
- Awale, S., 2022. *Boosting booster jabs against Omicron*. [online] Nepalitimes.com. Available

at: <<https://www.nepalitimes.com/here-now/boosting-booster-jabs-against-omicron/>>

Banerjea, A., 2021. *Nepal to resume international flights from tomorrow with Covid restrictions*. [online] mint. Available at: <<https://www.livemint.com/news/world/nepal-to-resume-international-flights-from-tomorrow-with-covid-restrictions-11624451573870.html>>

Beirman, D., Upadhayaya, P., Pradhananga, P. and Darcy, S., 2018. Nepal tourism in the aftermath of the April/May 2015 earthquake and aftershocks: repercussions, recovery and the rise of new tourism sectors. *Tourism Recreation Research*, 43(4), pp.544-554.

Biddut, M., 2018. *Homestay tourism*. [online] Slideshare.net. Available at: <<https://www.slideshare.net/MdMamunHasanBiddut/homestay-tourism>>

Bhakuni, K. and Kumar, A., 2020. [online] Akademos.in. Available at: <<http://akademos.in/2020/02/67-81.pdf>>

Bhandari, R., Thapa, L. and Thapa, A., 2022. *Socio-Economic and Cultural Impacts of Homestay Tourism in Sirubari Village Syanja Nepal*. [online] Available at: <<https://www.ijirmps.org/papers/2022/1/1361.pdf>>

Bhattarai, G. and Subedi, B., 2021. Impact of COVID-19 on FDIs, Remittances and Foreign Aids: A Case Study of Nepal. *Millennial Asia*, p.097639962097420.

Bhattarai, T., 2012. *Homestays Boost Tourism in Rural Nepal*. [online] Global Press Journal. Available at: <<https://globalpressjournal.com/asia/nepal/homestays-boost-tourism-in-rural-nepal/>>

Bocken, N. (2020). Sustainable business models. *Encyclopedia of the UN Sustainable Development Goals*, 963–975. [https://doi.org/10.1007/978-3-319-95867-5\\_48](https://doi.org/10.1007/978-3-319-95867-5_48)

Budhathoki, B., 2014. *Impact of homestay tourism on livelihood : a case study of Ghale*

*Guan, Lamjung, Nepal*. [online] Hdl.handle.net. Available at:  
<<http://hdl.handle.net/11250/187939>>

Business Standard. 2021. *Nepal imposes ban on entry from 9 countries amid Omicron variant scare*. [online] Available at:

<[https://www.business-standard.com/article/current-affairs/nepal-imposes-ban-on-entry-from-9-countries-amid-omicron-variant-scare-121120300231\\_1.html](https://www.business-standard.com/article/current-affairs/nepal-imposes-ban-on-entry-from-9-countries-amid-omicron-variant-scare-121120300231_1.html)>

Cook, S., 2019. Homestays in India and Why You Should Stay at One. [online] Trip Savvy.

Available at: <<https://www.tripsavvy.com/homestay-in-india-1539833>>

Dahal, B., K C, A. and Sapkota, R., 2019. Environmental Impacts of Community-Based

Homestay Ecotourism in Nepal. *The Gaze Journal of Tourism and Hospitality*, [online] pp.60-80. Available at:  
<<https://www.readcube.com/articles/10.3126%2Fgaze.v1i1.26618>>

Dahal, S., Luo, R., Subedi, R., Dhimal, M. and Chowell, G., 2021. Transmission Dynamics

and Short-Term Forecasts of COVID-19: Nepal 2020/2021. *Epidemiologia*, 2(4), pp.639-659.

Deane, M., 2022. Top 6 Reasons New Businesses Fail. [online] Investopedia. Available at:

<<https://www.investopedia.com/financial-edge/1010/top-6-reasons-new-businesses-fail.aspx>>

Delve, Ho, L., & Limpaecher, A. (2020a, August 31). How to Do Thematic Analysis. Essential Guide to Coding Qualitative Data.  
<https://delvetool.com/blog/thematicanalysis>

Devkota, T. P. 2008, Homestay Tourism in Nepal, Gorkhapatra Sansthan. Available:  
[http://www.gorkhapatra.org.np/rising.detail.php?article\\_id=45767&cat\\_id=7](http://www.gorkhapatra.org.np/rising.detail.php?article_id=45767&cat_id=7).

Dye, T., n.d. *Qualitative Data Analysis: Step-by-Step Guide (Manual vs. Automatic) | Thematic*. [online] Thematic. Available at:  
<<https://getthematic.com/insights/qualitative-data-analysis/>>

Gangotia, A. 2013. Home Stay Scheme in Himachal Pradesh: A Successful Story of Community Based Tourism Initiatives (CBTIS). *Global Research Analysis*, 2(2): 206-207.

Gautam, D. and Khatri, A., 2021. COVID-19 Global Pandemic Lockdown Impact on Visit Nepal Year 2020: A Review. *The Gaze: Journal of Tourism and Hospitality*, 12(1), pp.112-125.

Gautam, N., 2021. *Tourism fraternity sees ample promotion opportunities for VNY 2020*.

[online] My Republica. Available at:  
<<https://myrepublica.nagariknetwork.com/news/tourism-fraternity-sees-ample-promotion-opportunities-for-vny-2020/?categoryId=opinion>>

Google News. n.d. *Nepal*. [online] Available at:  
<<https://news.google.com/covid19/map?hl=en-US&mid=%2Fm%2F016zwt&gl=US&ceid=US%3Aen>>

Google. (n.d). [Google Earth location of Kathmandu Valley]. Retrieved May 2022, from  
<https://earth.google.com/web/search/Kathmandu+Metropolitan+City/@27.70896035,85.3261328,1306.01728717a,35634.08348805d,35y,0h,0t,0r/data=CoY>

BGlwSVgolMHgzOWViMTk4YTMwN2JhYWJmOjB4YjUxMzdjMWJmMT  
hkYjFIYRmvtVJjnb7QCGILNLEu1RVQCobS2F0aG1hbmR1IE1ldHJvcG9s  
aXRhbiBDaXR5GAIgASImCiQJX7OApPPyTUARnq-  
8i0HkTUAZUitkeAewP0AhC4BaqPOUP0A

Google. (n.d). [Google Earth location of Kathmandu city]. Retrieved May 2022, from  
[https://earth.google.com/web/search/country+nepal,+city+kathmandu/@28.88036326,85.26937473,4828.74824438a,1191121.35114446d,35y,0.00002853h,0t,0r/data=CogBGl4SWAolMHgzOWViMTk4YTMwN2JhYWJmOjB4YjUxMzdjMWJmMTMThkYjFIYRmvtVJjnb7QCGILNLEu1RVQCodY291bnRyeSBuZXBhbCwgY2l0eSBYXRobWFuZHUyASABliYKJAKlFaqAR6BEQBHpHE\\_gT\\_c0QBmZ8EtrxLNWQCEFYilMH25TQA](https://earth.google.com/web/search/country+nepal,+city+kathmandu/@28.88036326,85.26937473,4828.74824438a,1191121.35114446d,35y,0.00002853h,0t,0r/data=CogBGl4SWAolMHgzOWViMTk4YTMwN2JhYWJmOjB4YjUxMzdjMWJmMTMThkYjFIYRmvtVJjnb7QCGILNLEu1RVQCodY291bnRyeSBuZXBhbCwgY2l0eSBYXRobWFuZHUyASABliYKJAKlFaqAR6BEQBHpHE_gT_c0QBmZ8EtrxLNWQCEFYilMH25TQA)

Government of Nepal, Department of Immigration. n.d. *Notice*. [online] Available at:  
<<https://www.immigration.gov.np/page/notice>>

Government of Nepal, Ministry of Culture, Tourism and Civil Aviation, Department  
of

Tourism. 2010. Homestay Working Procedure, 2067. Available at:  
<http://103.69.124.108/index.php/en/downloads/category/4-procedures-and-directives#>

Government of Nepal, Ministry of Culture, Tourism & Civil Aviation., 2019. NEPAL  
TOURISM STATISTICS 2018. Available at:  
<https://www.hotelassociationnepal.org.np/pdf/Nepal%20Tourism%20Statistics%202018.pdf>

Government of Nepal, Ministry of Culture, Tourism & Civil Aviation., 2020. NEPAL  
TOURISM STATISTICS 2019. Available at:  
[https://www.tourism.gov.np/files/NOTICE%20MANAGER\\_FILES/Nepal\\_%20tourism\\_statics\\_2019.pdf](https://www.tourism.gov.np/files/NOTICE%20MANAGER_FILES/Nepal_%20tourism_statics_2019.pdf)

Government of Nepal, Ministry of Foreign Affairs., n.d. Nepal Profile. Available at:  
<https://mofa.gov.np/about-nepal/nepal-profile/>

Government of Nepal Ministry of Health and Population., 2022. Health Sector Response to

COVID-19. Available at:

[https://covid19.mohp.gov.np/covid/englishSituationReport/6267bfc607cf5\\_SitRep807\\_COVID-19\\_26-04-2022\\_EN.pdf](https://covid19.mohp.gov.np/covid/englishSituationReport/6267bfc607cf5_SitRep807_COVID-19_26-04-2022_EN.pdf)

Government of Nepal Ministry of Health and Population., 2022. Last 24 Hours Update.

Available at: <https://covid19.mohp.gov.np/>

Government of Nepal Ministry of Health and Population., 2021. Responding to COVID-19:

Health sector preparedness, response and lessons learnt. Available at:

<https://mohp.gov.np/attachments/article/703/Responding%20to%20COVID-19,%20Health%20sector%20preparedness,%20response%20and%20lessons%20learnt.pdf>

Jansen, D. and Warren, K., 2020. *Quantitative Data Analysis Methods & Techniques* 101 -

*Grad Coach*. [online] Grad Coach. Available at:

<<https://gradcoach.com/quantitative-data-analysis-methods/#:~:text=Quantitative%20data%20analysis%20is%20all%20about%20analysing%20number%2Dbased%20data,descriptive%20statistics%20and%20inferential%20statistics>>

Jeerapattranant, V. (2018). A VALUE CREATION IN SUSTAINABLE TOURISM OF HOMESTAY BUSINESS, CHANTHABURI PROVINCE.

<https://incbaa.kku.ac.th/img/files/articles/3daf8-224-varadorn-jeerapattranant.pdf>

Jha, H., 2021. *Reopening Nepal-India border*. [online] Orf Online. Available at:

<<https://www.orfonline.org/expert-speak/reopening-nepal-india-border/>>

Kafle, S., 2020. *History of Tourism in Nepal | A Comprehensive Synopsis*. [online] Shepherd

Holidays Pvt. Ltd. Available at:

<<https://www.shepherdholidays.com/blog/history-of-tourism-in-nepal>>

Kathmandu Municipality, Government of Nepal. 2021. *Introduction – Kathmandu Metropolitan City, Office of Municipal Executive, Bagmati Province*. [online]

Available at: <<https://kathmandu.gov.np/introduction/?lang=en>>

Kathmandu Post. 2022. *Nepal reports 24 new Omicron cases*. [online] Available at:

<<https://kathmandupost.com/health/2022/01/07/nepal-reports-24-new-omicron-cases>>

Kaushik, K., 2020. *While some homestay owners have already hosted guests since they*

*reopened, others are still fickle minded about opening their doors for tourists*.

[online] Outlook India. Available at:

<<https://www.outlookindia.com/outlooktraveller/explore/story/70603/homestays-in-india-are-reopening>>

KHADKA, D., POKHREL, G., THAKUR, M., MAGAR, P., BHATTA, S., DHAMALA, M.,

ARYAL, P., SHI, S., CUI, D. and BHUJU, D., 2020. IMPACT OF COVID-19 ON THE TOURISM INDUSTRY IN NEPAL. *Asian Journal of Arts, Humanities and Social Studies*,, pp.40-48.

Lama, M., 2013. COMMUNITY HOMESTAY PROGRAMMES AS A FORM OF SUSTAINABLE TOURISM DEVELOPMENT IN NEPAL. [online]

Available at:

<<https://www.theseus.fi/bitstream/handle/10024/68913/COMMUNITY%20HOMESTAY%20PROGRAMMES%20AS%20A%20FORM%20OF%20SUSTAINABLE%20TOURISM%20DEVELOPMENT%20IN%20NEPAL.pdf?sequence=1>>

- Magar, A. A. 2020. *Give financial support to tourism sector: NTB*. The Himalayan Times. Retrieved from <https://thehimalayantimes.com/business/give-financial-support-to-tourism-sector-nepal-tourism-board>
- Mair, S. 2020. Sustainability in the twenty-first century: Applying sustainomics to implement the Sustainable Development Goals. *Environmental Politics*, 29(4), 752–754. <https://doi.org/10.1080/09644016.2020.1741766>
- Mountain, A., 2019. *Thematic Coding*. [online] BetterEvaluation. Available at: <https://www.betterevaluation.org/en/evaluation-options/thematiccoding>
- Mountain Mart Treks: Authorized Tour and Trekking Company in Nepal. 2017. *Top 10 UNESCO World Heritage Sites in Nepal*. [online] Available at: <https://www.mountainmarttreks.com/blog/10-unesco-world-heritage-sites/>
- Nath, S., 2022. *Nepal Rushes To Save Forex, Fears Loom of Sri Lanka Like Economic Crisis*. [online] India.com | Top Latest News from India, USA and Top national Breaking News stories. Available at: <https://www.india.com/news/world/nepal-rushes-to-save-forex-fears-loom-of-sri-lanka-like-economic-crisis-5367095/>
- NASA. Earthobservatory.nasa.gov. 2010. *Kathmandu, Nepal*. [online] Available at: <https://earthobservatory.nasa.gov/images/47287/kathmandu-nepal>
- NASA. Earthobservatory.nasa.gov. 2010. *Kathmandu, Nepal*. [online] Available at: <https://earthobservatory.nasa.gov/images/47287/kathmandu-nepal#:~:text=Geological%20and%20fossil%20evidence%20indicates,million%20and%2010%2C000%20years%20ago>
- Nepal News. 2021. Electricity in 90 per cent of households. [online] Available at: <https://nepalnews.com/s/nation/electricity-in-90-percent-of-households>

Nepal Rastra Bank., 2021. Monetary Policy. Available at:

<https://www.nrb.org.np/contents/uploads/2021/10/Monetary-Policy-2021-22.pdf>

Nepal Rastra Bank., 2020. NRB Releases Monetary Policy for FY 2020-21. Available at:

<https://www.nrb.org.np/contents/uploads/2020/12/NRB-News-Vol.40-20770818.pdf>

Nepal Tourism Board. (n.d.). *About us: Nepal Tourism Board: Promoting Nepal.*

Retrieved November 25, 2022, from <https://ntb.gov.np/about-us>

Kathmandu Valley: Cultural heritage: Nepal tourism board. Nepal Tourism Board. (n.d.).

Retrieved from <https://ntb.gov.np/kathmandu-valley>

OXFAM., 2019. FIGHTING INEQUALITY IN NEPAL The road to prosperity.

Available at:

<https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620607/bp-fighting-inequality-nepal-110119-en.pdf>

Paudyal, S. and Rai, S., 2016. *Two disasters and Nepal: The economic slide.* [online] The

Himalayan Times. Available at: <<https://thehimalayantimes.com/opinion/two-disasters-and-nepal-the-economic-slide-2>>

Panthhe, K. and Kokate, C., 2021. Impact of Covid-19 on Tourism Sector in Nepal. *Revistas*

*Academics Chilenas*, [online] Available at:

<<https://portalrevistas.uct.cl/index.php/safer/article/view/2396>>

Panthhe, K. and Kokate, C., 2022. *Impact of Covid-19 on Tourism Sector in Nepal.*

Phalaicha Stories. 2020. Dhungako Khichadi [Video]. YouTube.

<https://www.youtube.com/watch?v=1M2txqZ4VAo>

PKF International. 2020. *Highlights of Refinancing Procedures 2077*. PKF. Retrieved from

[https://pkf.trunco.com.np/uploads/publication/file/NRBRefinancingProcedures27July2020\\_20200728035301.pdf](https://pkf.trunco.com.np/uploads/publication/file/NRBRefinancingProcedures27July2020_20200728035301.pdf)

Pradhan, T., 2020. *Government decides to lift the four-month-long coronavirus lockdown, but*

*with conditions*. [online] Kathmandupost.com. Available at:

<<https://kathmandupost.com/national/2020/07/21/government-decides-to-lift-the-four-month-long-coronavirus-lockdown-but-with-conditions>>

Prasain, S., 2021. *Nepal's lockdown 2.0, new Covid curbs on travel*. [online]

Kathmandupost.com. Available at:

<<https://kathmandupost.com/money/2021/04/28/explained-nepal-s-lockdown-2-0-new-covid-curbs-on-travel>>

Prasain, S. and Kumar, H., 2019. *Nepal aims for 2 million tourists in 2020, but cities lack*

*nightlife*. [online] Kathmandupost.com. Available at:

<<https://kathmandupost.com/money/2019/12/30/nepal-aims-for-2-million-tourists-in-2020-but-cities-lack-nightlife>>

Prasain, S., 2022. *Tourism is reviving, March data show*. [online]

Kathmandupost.com.

Available at: <[https://kathmandupost.com/money/2022/04/03/tourism-rebounds-with-highest-monthly-arrivals-in-](https://kathmandupost.com/money/2022/04/03/tourism-rebounds-with-highest-monthly-arrivals-in-march#:~:text=According%20to%20the%20Department%20of,the%20figure%20in%20March%202021)

[march#:~:text=According%20to%20the%20Department%20of,the%20figure%20in%20March%202021](https://kathmandupost.com/money/2022/04/03/tourism-rebounds-with-highest-monthly-arrivals-in-march#:~:text=According%20to%20the%20Department%20of,the%20figure%20in%20March%202021)>

Press Trust of India. 2022. *Tourist activity slowly picking up in Nepal as Covid restrictions*

*are eased*. [online] Available at: <[https://www.business-standard.com/article/international/tourist-activity-slowly-picking-up-in-nepal-as-covid-restrictions-are-eased-122040900940\\_1.html](https://www.business-standard.com/article/international/tourist-activity-slowly-picking-up-in-nepal-as-covid-restrictions-are-eased-122040900940_1.html)>

Quality Homestay. n.d. Quality Homestay (2022) - What is Homestay?. [online] Available at:

<<https://www.qualityhomestay.com/index.php/what-is-homestay.html#:~:text=Homestay%20allows%20students%20and%20visitors,first%2Dhand%20how%20Canadians%20live.>>

Rai, S. (2020). Lives of Tourism workforce in Nepal and the Pandemic. *International Journal of Innovation, Creativity and Change. Special Edition: COVID-19 Life Beyond*.

[https://www.researchgate.net/publication/344789039\\_Lives\\_of\\_Tourism\\_workforce\\_in\\_Nepal\\_and\\_the\\_Pandemic](https://www.researchgate.net/publication/344789039_Lives_of_Tourism_workforce_in_Nepal_and_the_Pandemic)

Reliefweb, 2021. Nepal: COVID-19 Pandemic Situation Report No. 46 (As of 6 September 2021).

Richardson, R., 2021. The Role of Tourism in Sustainable Development. *Oxford Research Encyclopedia of Environmental Science*,.

Rijal, S., 2016. Impact of Earthquake on Tourism Sector in Nepal. *Tribhuvan University Journal*, 30(2), pp.183-194.

Royalmt.com.np. 2012. *Homestay in Nepal | Homestay Program in Nepal* |. [online]

Available at: <<https://royalmt.com.np/blog/homestay-in-nepal/#:~:text=Sirubari%20and%20Ghalegaon%20were%20the,around%2011%20and%2012%20respectively>>

Saha, B., 2015. *Environmental Science And Sustainable Development*. World Scientific Publishing Co. Pte. Ltd.

Sapkota, R., 2020. *Nepal to test COVID-19 test kits from China*. [online] Nepalitimes.com.

Available at  
<<https://www.nepalitimes.com/latest/nepal-to-test-covid-19-test-kits-from-china/>>

Schäferhoff, N., 2022. Why You Should Live with a German Host Family (and How to Get Started). [online] FluentU German. Available at:  
<<https://www.fluentu.com/blog/german/german-host-family/>>

Sharma, K., Banstola, A. and Parajuli, R., 2021. Assessment of COVID-19 Pandemic in Nepal: A Lockdown Scenario Analysis. *Frontiers in Public Health*, 9.

Schoonderwoerd, M., 2019. 5 reasons for staying in a Homestay in Vietnam & tips for best locations. [online] Local Vietnam. Available at:  
<<https://localvietnam.com/blog/homestay-vietnam/#:~:text=A%20popular%20form%20of%20accommodation,example%20in%20Hanoi%20or%20Dalat.>>

Sharma, K., Banstola, A. and Parajuli, R., 2021. Assessment of COVID-19 Pandemic in Nepal: A Lockdown Scenario Analysis. *Frontiers in Public Health*, 9.

Shrestha, A., 2019. *The Effect of COVID-19 Pandemic on the Tourism Sector: A Case Study*

*of the Hotel Industry in Nepal*. Unpublished.

Shrestha, A., 2022. *Key highlights from the Census Report 2021*. [online] Nepal Economic

Forum. Available at: <<https://nepaleconomicforum.org/key-highlights-from-the-census-report-2021/#:~:text=According%20to%20the%20Census%20Report,population%20has%20grown%20by%2010.18%25>>

Shrestha, E., 2020. *With tourists staying home, homestays have no business*. [online] Kathmandupost.com. Available at:

<<https://kathmandupost.com/national/2020/04/29/with-tourists-staying-home-homestays-have-no-business>>

Shrestha, H. and Shrestha, P., 2012. Tourism in Nepal: A Historical Perspective and Present

Trend of Development. *Himalayan Journal of Sociology and Anthropology*, 5, pp.54-75.

Shrestha, S., 2017. *Tourism History of Nepal*. [online] Explore Himalaya Travel & Adventure. Available at: <<https://www.explorehimalaya.com/tourism-history-nepal/>>

Shrestha, A., 2021. *The impact of the pandemic on the hospitality and tourism sector, and its*

*recovery*. [online] Nepal Economic Forum. Available at: <<https://nepaleconomicforum.org/the-impact-of-the-pandemic-on-the-hospitality-and-tourism-sector-and-its-recovery/>>

Singh, D., Sunuwar, D., Shah, S., Karki, K., Sah, L., Adhikari, B. and Sah, R., 2021. Impact

of COVID-19 on health services utilization in Province-2 of Nepal: a qualitative study among community members and stakeholders. *BMC Health Services Research*, 21(1).

Thắng, V., 2022. Homestay businesses struggle during pandemic. [online] Viet Nam News.

Available at: <<https://vietnamnews.vn/economy/1109092/homestay-businesses-struggle-during-pandemic.html>>

The Himalayan Times. 2022. 'Ease travel rules to revive tourism sector'. [online] Available

at: <<https://thehimalayantimes.com/business/ease-travel-rules-to-revive-tourism-sector>>

Tourism development and environmental management in Nepal: A study of Sagarmatha

National Park and the Annapurna Conservation Area Project with special reference to upper Mustang (downloaded)

Ulak, N., 2020. COVID-19 Pandemic and its Impact on Tourism Industry in Nepal. *Journal*

*of Tourism & Adventure*, 3(1), pp.50-75.

UNESCO World Heritage Centre. (n.d.). Kathmandu Valley. Retrieved from <https://whc.unesco.org/en/list/121/>

United Nations. n.d. *Sustainable tourism | Department of Economic and Social Affairs*.

[online] Available at: <<https://sdgs.un.org/topics/sustainable-tourism>>

UNCDP., 2018. Committee for Development Policy 20th Plenary Session: Vulnerability

Profile of Nepal. Available at:

<https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/CDP-PL-2018-6c.pdf>

UNDP., 2020. Rapid Assessment of Socio Economic Impact of COVID19 in Nepal.

Available at: <https://www.np.undp.org/content/nepal/en/home/library/rapid-assessment-of-socio-economic-impact.html>

UNDP. n.d. *COVID-19 pandemic | UNDP in Nepal*. [online] Available at:

<<https://www.np.undp.org/content/nepal/en/home/coronavirus.html>>  
[Accessed 15 May 2022].

UNDP, 2020. Rapid Assessment of Socio Economic Impact of COVID19 in Nepal.  
8(1).

Available at: <https://www.np.undp.org/content/nepal/en/home/library/rapid-assessment-of-socio-economic-impact.html>

UNWTO. 2020. *International tourism growth continues to outpace the global economy | UNWTO*. [online] Available at:

<<https://www.unwto.org/international-tourism-growth-continues-to-outpace-the-economy#:~:text=1.5%20billion%20international%20tourist%20arrivals,in%20view%20of%20current%20uncertainties.>>

United Nations World Tourism Organisation. (2008). *Understanding tourism: Basic glossary*.

Retrieved from <http://media.unwto.org/en/content/understanding-tourism-basic-glossary>

United Nations. n.d. *Sustainable Development | Economic and Social Council*.

[online]

Available at: <<https://www.un.org/ecosoc/en/sustainable-development#:~:text=ECOSOC%20operates%20at%20the%20centre,%E2%80%94economic%2C%20social%20and%20environmental>>

University of Eastern Finland, UEF. 2019. *Food Waste In Tourism Is A Bigger Issue Than*

*Previously Thought*. [online] Available at:

<<https://www.hospitalitynet.org/news/4095679.html>>

Upadhayaya, P., Müller-Böker, U. and Sharma, S., 2011. Tourism amidst Armed Conflict:

Consequences, Copings, and Creativity for Peace-building through Tourism in Nepal. *Al-Anbar Journal of Veterinary Sciences*, (2(1), pp.22-40.

USAID. 2021. Agriculture and Food Security. [online] Available at:

<<https://www.usaid.gov/nepal/agriculture-and-food-security#:~:text=According%20to%20the%20International%20Labour,34%20percent%20of%20the%20GDP.>>

World Health Organization. n.d. *About the virus*. [online] Available at:

<<https://www.euro.who.int/en/health-topics/health-emergencies/coronavirus-covid-19/novel-coronavirus-2019-ncov>>

World Travel & Tourism Council (WTTC). 2021. *WTTC research reveals global Travel &*

*Tourism sector suffered a loss of almost US\$4.5 trillion in 2020 due to the impact of COVID-19*. [online] Available at: <<https://wtcc.org/News-Article/Global-TandT-sector-suffered-a-loss-of-almost-US4-trillion-in-2020>>

World Tourism Organisation (UNWTO). (2021, January 19). *Tourism through history* [Video]. YouTube. <https://www.youtube.com/watch?v=ET6m3mVRjKg>

World Health Organization (WHO). (2020, June 15). *Coronavirus disease (COVID-19)*.

[Video]. YouTube. <https://www.youtube.com/watch?v=i0ZabxXmH4Y>

WHO. Covid19.who.int. 2022. *Nepal: WHO Coronavirus Disease (COVID-19) Dashboard*

*With Vaccination Data*. [online] Available at:

<<https://covid19.who.int/region/searo/country/np>>

WHO. n.d. *Coronavirus*. [online] Available at:

<[https://www.who.int/health-topics/coronavirus#tab=tab\\_1](https://www.who.int/health-topics/coronavirus#tab=tab_1)>

WTTC. 2022. *World Travel & Tourism Council (WTTC) | Travel & Tourism Representative Council*. [online] Available at: <<https://wttc.org/>>

WHO. n.d. *Nepal story on COVID-19 vaccine deployment: a good start*. [online] Available

at: <<https://www.who.int/about/accountability/results/who-results-report-2020-mtr/country-story/2020/nepal-story-on-covid-19-vaccine-deployment-a-good-start>>

World Bank., 2022. Nepal Development Update. Available at

<https://documents1.worldbank.org/curated/en/099835004122242158/pdf/P1774360498cd407a09a4d0e5860fd8fc84.pdf>

World Bank. 2022. Risk of Global Recession in 2023 Rises Amid Simultaneous Rate Hikes. [online] Available at:

<<https://www.worldbank.org/en/news/press-release/2022/09/15/risk-of-global-recession-in-2023-rises-amid-simultaneous-rate-hikes>>

World Bank. 2022. Literacy rate, adult total (% of people ages 15 and above) - Nepal | Data. [online] Available at:

<<https://data.worldbank.org/indicator/SE.ADT.LITR.ZS?locations=NP>>

World Bank., n.d. International tourism, number of arrivals - Nepal. Available at:

<https://data.worldbank.org/indicator/ST.INT.ARVL?locations=NP>

World Bank., 2022. Unemployment, total (% of total labour force) (modelled ILO estimate) -

Nepal. Available at:

<https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=NP>

World Bank. 2022. Harnessing Tourism to Enhance the Value of Biodiversity and Promote Conservation in Nepal. [online] Available at:

<<https://www.worldbank.org/en/news/feature/2022/06/03/harnessing-tourism-to-enhance-the-value-of-biodiversity-and-promote-conservation-in-nepal#:~:text=The%20country%27s%20significant%20biodiversity%20and,i mpact%20was%20US%24%202.2%20billion.>>

Xinhuanet.com. 2021. *Four-month lockdown ends in Nepal's Kathmandu Valley.* [online]

Available at: <[http://www.xinhuanet.com/english/asiapacific/2021-09/01/c\\_1310162115.htm](http://www.xinhuanet.com/english/asiapacific/2021-09/01/c_1310162115.htm)>

## APPENDICES:

### Appendix A: Literature Review

#### Appendix A.1 Violent Activities witnessed in the Tourism Sector of Nepal due to Maoist Insurgency in Nepal

Date	Places and nature of incidents	
13 February 1996	- Beginning of the Maoist led armed war in Rolpa and Rukum in western Nepal and of Nepal's image as a war prone tourist destination.	
Spring 2001	- Initiation of extortion (forceful tax collection) from Free Independent Travelers (FITs) by the Maoist cadres at the entrances to every popular trekking route.	
Year 2002	- Begnas Lake Resort in Pokhara in September and Gaida Wildlife Camp in Chitwan National Park in May were bombed with heavy losses. Both properties were closed for more than a year.	
October 2002	- Bombing at the visitor centre of Annapurna Conservation Area Project (ACAP) at Ghandruk (a popular tourist village famous for the indigenous Gurung culture) of which the king was the chief patron	
March 2003	- Armed attack on Lukla airport, main gateway to the Everest region in eastern Nepal, resulting in a temporary suspension of flights. The aim was to weaken the government and its source of income from the busiest tourist airport in eastern Nepal.	
Year 2004	- A series of bombs exploded outside the compound of Soaltee Crown Plaza in Kathmandu, Gorkha Hill Resort in Gorkha, and Fishtail Lodge in Pokhara.	
August 2004	- Forceful shutdown of 12 big multinational and hotel companies mostly owned by <i>the Ranas and Shahs</i> including Fishtail lodge in Pokhara, Hotel Sherpa, Mall, and Soaltee Crown Plaza in Kathmandu, and Tiger Tops Jungle Lodge in Chitwan.	
Year 2005	- Cross fire between Maoist rebels and government-led security forces at Lakeside, a tourist hub in Pokhara in western Nepal.	
January 2006	- Start of non-cooperation movement by the Maoist-affiliated labor and trader unions of Hotel Yak and Yeti, a five star hotel in Kathmandu. The unmet demands for fair wages, permanent status of temporary employees, and other conditions resulted in closure for nearly eight months.	
September 2006	-Restarting of the collection of enforced donations from tourists by the Maoists from entry points in Annapurna Conservation Area.	major

(Upadhayaya, et.al, 2011, pg.27)

Appendix A.2: Change caused by this Maoist Insurgency in the tourism industry

<b>Year</b>	<b>Number of international tourist arrivals</b>	<b>% Change from previous year</b>	<b>Average length of stay</b>	<b>% Change from previous year</b>	<b>Revenue generated from tourism (in US\$ million)</b>	<b>% Change from previous year</b>
1995	363,395		11.27		116.8	
1996	393,613	8.3	13.50	1.98	116.6	-1.71
1997	421,857	7.2	10.49	-2.23	115.9	- 6.00
1998	463,684	9.9	10.76	2.57	152.5	31.58
1999	491,504	6.0	12.28	1.41	168.1	10.23
2000	463,646	-5.7	11.88	-3.26	166.8	- 7.73
2001	361,237	-22.1	11.93	4.20	140.3	- 1.59
2002	275,468	-23.7	7.92	- 3.36	106.8	- 2.39

2003	338,132	22.7	9.60	2.12	192.8	8.0
2004	385,297	13.9	13.51	4.07	179.9	-6.7
2005	375,398	- 2.6	- 9.09	- 3.27	148.4	-1.7
2006	383,926	2.3	10.20	- 1.22	162.8	9.7
2007	526,705	37.3	11.96	1.72	230.6	-4.2
2008	500,277	-5.0	11.78	-0.02	351.9	52.60
2009	509,956	1.89	11.32	- 3.90	372.30	5.48

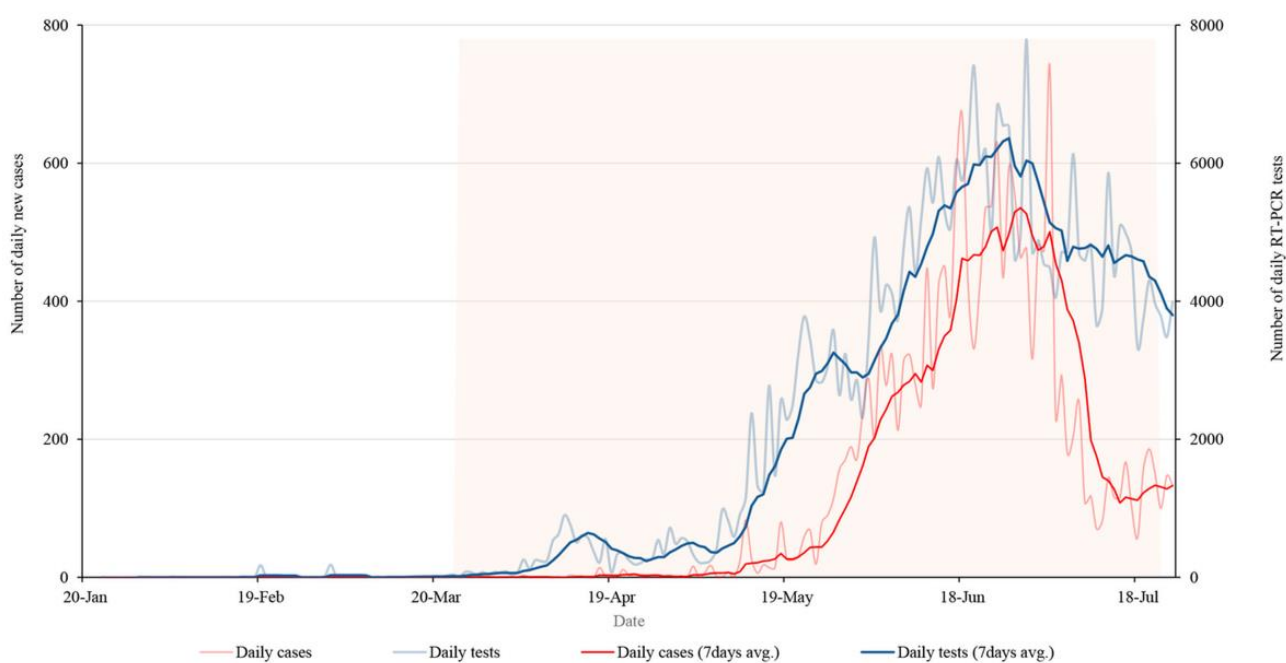
(Upadhayaya, et.al, 2011, pg.28 and 29)

Appendix A.3: Loss and damage caused by the earthquake on the cultural and heritage sites

Subsector	Disaster effects (NPR Million)		
	Damage	Loss	Total
Heritage site in 16 districts	7875	1409	9284
Monasteries and historic structures	8135	813	8948
Temple in remote areas	900	90	990
<b>Total:</b>	<b>16910</b>	<b>2312</b>	<b>19222</b>

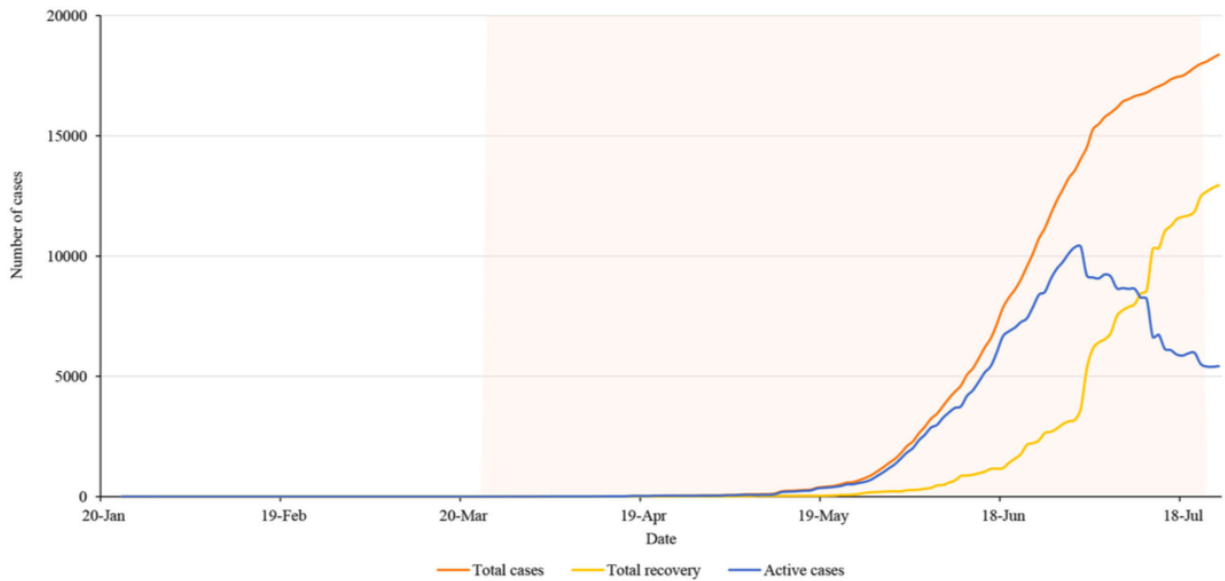
(Rijal, 2016, p.g. 8)

Appendix A.4: 7 days average of daily COVID-19 positive cases in the 1st nationwide lockdown of Nepal.



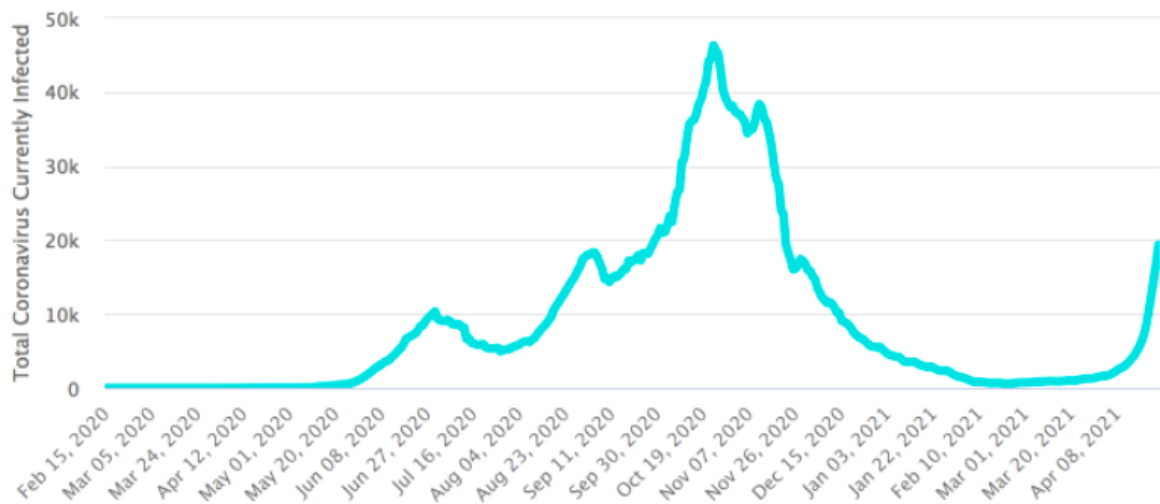
(Sharma, et.al, 2021, pg. 3)

#### Appendix A.5: Active cases, recovery and total COVID-19 cases during the 1st Lockdown



(Sharma, et.al, 2021, pg. 3)

#### Appendix A.6: Number of Active COVID-19 Positive cases in Nepa from February 15, 2022 to April 8, 2021



(Awale, 2021, pg.1)

# Appendix A.7: Registered Homestays in Nepal from 2017 to 2019

District	Type	2017			2018			2019		
		No. of Affiliated House	No. of Room	No. of Bed	No. of Affiliated House	No. of Room	No. of Bed	No. of Affiliated House	No. of Room	No. of Bed
Kathmandu	Community	63	99	214	63	99	176	84	110	188
	Private	49	150	206	49	146	238	49	150	206
	Total	112	249	420	112	245	414	133	260	394
Bhaktapur	Community				13	14	28	13	14	28
	Private				4	11	20	4	11	20
	Total				17	25	48	17	25	48
Kavre	Community	49	83	107	61	95	119	61	95	119
	Private	5	16	30	5	9	14	5	9	14
	Total	54	99	137	66	104	133	66	104	133
Lalitpur	Community	12	24	47	15	28	51	15	28	51
	Private	6	15	30	6	15	30	6	15	30
	Total	18	39	77	21	43	81	21	43	81
Mugu	Community	5	5	10	5	5	10	5	5	10
	Private	0	0	0	0	0	0	0	0	0
	Total	5	5	10	5	5	10	5	5	10
Nuwakot	Community	25	33	66	25	33	66	40	48	96
	Private	0	0	0	0	0	0	0	0	0
	Total	25	33	66	25	33	66	40	48	96

District	Type	2017			2018			2019		
		No. of Affiliated House	No. of Room	No. of Bed	No. of Affiliated House	No. of Room	No. of Bed	No. of Affiliated House	No. of Room	No. of Bed
Ramechhap	Community	29	54	96	29	54	96	29	54	96
	Private	2	11	20	1	3	6	1	3	6
	Total	31	65	116	30	57	102	30	57	102
Chitwan	Community	7	14	28	0	0	0	29	36	72
	Private	2	4	6	9	18	34	9	18	34
	Total	9	18	34	9	18	34	38	54	106
Kaski	Community				0	0	0	0	0	0
	Private				2	8	16	2	8	16
	Total				2	8	16	2	8	16
Makwanpur	Community	7	16	30	7	16	30	7	16	30
	Private	0	0	0	1	3	6	1	3	6
	Total	7	16	30	8	19	36	8	19	36
Dhading	Community	5	9	18	9	15	18	9	15	18
	Private	1	4	6	1	4	6	1	4	6
	Total	6	13	24	10	19	24	10	19	24
Udaypur	Community							13	13	18
	Private							0	0	0
	Total							13	13	18
Saptari	Community							7	7	12
	Private							0	0	0
	Total							7	7	12

District	Type	2017			2018			2019		
		No. of Affiliated House	No. of Room	No. of Bed	No. of Affiliated House	No. of Room	No. of Bed	No. of Affiliated House	No. of Room	No. of Bed
Rasuwa	Community									
	Private				1	4	8	1	4	8
	Total				1	4	8	1	4	8
Pyuthan	Community	16	17	34	18	17	34	18	17	34
	Private	0	0	0	0	0	0	0	0	0
	Total	16	17	34	18	17	34	18	17	34
Total	Community	218	354	650	245	376	628	310	438	742
	Private	65	200	298	79	221	378	79	225	346
Total		283	554	948	324	597	1006	389	663	1088

Nepal Tourism Statistics 2019

(GoN, 2020, p.g. 99, 100, 101)

Appendix A.8: Socio-Economic Impact of Homestay

S.N.		Responses				Total	
		Yes		No			
		No	%	No	%	No	%
1	Health	19	100	0	0	19	100
2	Education	18	94.74	1	5.26	19	100
3	Occupation	19	0	0	0	19	100
4	Wealth	19	100	0	0	19	100
5	Income Level	18	94.74	1	5.26	19	100
6	Quality of Life	19	100	0	0	19	100
7	Woman Empowerment	19	100	0	0	19	100
8	Social Bonding	19	100	0	0	19	100
9	Trade	19	100	0	0	19	100
10	Environment	19	100	0	0	19	100
11	Infrastructure	19	100	0	0	19	100
12	Public Awareness	19	100	0	0	19	100

(Bhandari, et. al, 2022, p.g. 43)

## Appendix A.9: Notices sample presented in Homestay Working Procedure, 2067 Act

### अनुसूची १

(दफा ४ संग सम्बन्धित)

होमस्टे संचालनका आधारभूत मापदण्ड :

#### १. होमस्टेका लागि घर, कोठा र शैया:

- (क) प्रत्येक सामुदायिक होमस्टेका लागि भिन्न भिन्न स्वामित्व भएका कम्तीमा ५ वटा घर (होमस्टेयुनिट) हुनु पर्नेछ। एकआपसमा सहज पहुँचका लागि बाटोको प्रबन्ध भएको, घरहरु मौलिक संस्कृती भल्कने र हावा हुरी, जंगली जनावर आदीबाट सुरक्षित हुनु पर्ने, खुला, हिलो तथा धुलोहित सफासुघर हुनुपर्नेछ।
- (ख) होमस्टेमा पाहुनाका लागि कम्तीमा एउटा अलग्गै कोठा हुनुपर्नेछ।
- (ग) होमस्टेसंचालन गर्ने एक घरमा बढीमा ४ कोठा पर्यटकका लागि छुट्याउन सकिनेछ।
- (घ) एउटा कोठामा बढीमा २ वटामात्र ओछ्यान रहनुपर्ने छ। ओछ्यान कम्तीमा ६.५ फिट लम्बाई र ३ फिट चौडाईको हुनुपर्नेछ।
- (ङ) भुईँमा कापेट वा राडी वा सफा गुन्दी ओछ्याएको हुनुपर्नेछ।
- (च) ढोकामा खुट्टा पुछ्ने बोरा वा डोरम्याट भएको हुनुपर्नेछ।
- (छ) नरम खालको सेतो तन्ना भएको र सेतै खोल भएका ओढ्नेको व्यवस्था हुनुपर्नेछ।
- (ज) भित्तामा वा ढोकाको पछाडीपट्टि लुगा भुण्ड्याउने व्यवस्था भएको हुनुपर्नेछ।
- (झ) कोठामा बिजुली बत्ती वा लाल्टिन वा मैन वा टुकी पानस वाल्ने व्यवस्था हुनुपर्नेछ।
- (ञ) सुत्ने कोठामा धुवाँ आउन नहुने।
- (ट) सुत्ने कोठामा राम्रा राम्रा दृश्य र स्थानीय संस्कृति भल्कने तस्विरहरु भएमा राम्रो हुने।
- (ठ) फोहोर फाल्ने एउटा टोकरी (डस्टबीन) को व्यवस्था हुनुपर्नेछ।
- (ड) सम्भव भएसम्म प्रत्येक पाहुनाका लागि १ जोर चप्पल (स्लीपर) को व्यवस्था हुनुपर्नेछ।
- (ढ) सम्भव भएसम्म भित्तामा एउटा अर्धकद (आधा शरिर) देखिने ठूलो ऐना भुण्डाएको हुनुपर्नेछ।
- (ण) सम्भव भएसम्म सुत्ने कोठामा चिया टेबल राख्नु राम्रो हुने।
- (त) सम्भव भएसम्म सुत्ने कोठामा २ वटा कुर्सी राख्नु राम्रो हुने।

#### २. शौचालय र स्नानगार :

- (क) सुविधायुक्त र सफा शौचालय हुनु पर्ने।
- (ख) होमस्टे संचालन गर्ने घर वा समुदायमा नुहाउने प्रबन्ध (छुट्टै बाथरुम वा कम्तीमा छेकिएर नुहाउन सकिने सुविधायुक्त ठाउँ)।
- (ग) स्नानगारमा पानीको बाल्टी, मग, साबुन, रुमाल आदि आधारभूत वस्तुहरु हुनु पर्ने।

#### ३. भान्सा कोठा र खाना खाने व्यवस्था :

- (क) पाहुना राख्ने घर/कोठा नजिक गाई भैसी अथवा भेडाबाख्रा, सुर्गुर, कुखुरा आदि वाध्न वा पाल्न नहुने।
- (ख) धेरै धुवाँ नहुने भान्सा (उन्नत वा सुधारिएको चुलो भएको)।
- (ग) पानीको सुविधा मिलाउनुपर्ने र खानेपानी फिल्टर गरेर वा उमालेरमात्र दिने।
- (घ) स्थानीय खानाका परिकारहरुलाई स्वास्कर ढंगले पकाउने र खुवाउने प्रबन्ध हुनुपर्ने।
- (ङ) नेपालीहरुलाई राम्रोसंग पलेटी कसेर वसेर खान मिल्ने ठाउँ हुनुपर्ने।
- (च) विदेशीलाई सानो डाइनिङ टेबलको पनि प्रबन्ध भए राम्रो हुने।
- (छ) खानपीन विवरण तथा मूल्य निर्धारण गरिएको हुनुपर्ने (मेनु भएको)।

#### ४. स्वास्थ्य, सरसफाई तथा सुरक्षा :

- (क) मुसा, लामखुट्टे, उडुस, उपियाँ आदिबाट सुरक्षित हुनु पर्ने, दुर्गन्ध वा गाई भैसीको गोठबाट टाढा हुनु पर्ने, सामुदायिक रुपमा प्राथमिक उपचारको व्यवस्था हुनु पर्ने, खुला नाली र ढल हुन नहुने।
- (ख) वातावरण मैत्री पर्यटन कृयाकलाप, पर्यटकीय सम्पदाहरुको संरक्षण, सार्वजनिक शौचालयको व्यवस्था, बृक्षरोपण।

(GoN, 2010, p.g. 4)

**अनुसूची २**  
(दफा ६(१) संग सम्बन्धित)  
होमस्टे दर्ताका लागि दिइने निवेदन

श्री पर्यटन उद्योग महाशाखा /पर्यटन कार्यालय,

हामीहरुले जिल्ला ..... गा.वि.स./न.पा. .... वडा नं. .... टोल/गाउँ  
.....मा संचालन गर्न लागेको ..... होमस्टेलाई होमस्टे संचालन कार्यविधि,  
२०६७ बमोजिम सामुदायिक/निजी होमस्टेको रुपमा दर्ता गरी पाउन निवेदन गर्दछु /गर्दछौ ।

होमस्टे संचालन कार्यविधि निर्देशिका, २०६७ को अधिनमा रही आफ्नो होमस्टे संचालन गर्नेछौ ।

**संलग्न कागजात:**

१. होमस्टे संचालन गर्ने निवेदकको नागरिकता प्रमाणपत्रको प्रतिलिपिहरु
२. होमस्टे संचालन गर्ने प्रत्येक घरधनीको जग्गा धनी प्रमाणपत्रको प्रतिलिपि
३. प्रत्येक घरधनीले होमस्टे संचालन गर्न मञ्जुर गरेको कागजात सहित होमस्टे व्यवस्थापन समितिको निर्णयको प्रतिलिपि
४. व्यवस्थापन समिति गठन तथा दर्ता गर्नेसम्बन्धी स्थानीय भेलाको निर्णय
५. निजी होमस्टेको हकमा सम्बन्धित स्थानिय निकायको सिफारिस
६. आधारभूत प्रशिक्षण लिएको भए सोको प्रमाणपत्रको प्रतिलिपि

निवेदक,

नामथर:

ठेगाना:

मिति :

**होमस्टे यूनिटहरु (दर्ता हुने व्यक्तिहरुको विवरण)**

क्र.सं.	संचालकको नामथर	ठेगाना	क्र.सं.	संचालकको नामथर	ठेगाना

नोट: सामुदायिक होमस्टेको हकमा होमस्टे व्यवस्थापन समितिको अध्यक्ष वा अधिकार दिएको व्यवस्थापन समितिको सदस्यले निवेदन दिनु पर्ने छ ।

(GoN, 2010, p.g. 5)

अनुसूची ३  
(दफा ६(३)संग सम्बन्धित)

नेपाल सरकार  
पर्यटन तथा नागरिक उड्डयन मन्त्रालय  
पर्यटन उद्योग महाशाखा

प्रमाणपत्र संख्या:

भृकुटीमण्डप  
काठमाण्डौ, नेपाल  
मिति: .....

### होम स्टे संचालन प्रमाणपत्र

..... लाई होम स्टे संचालन कार्यविधि, २०६७ मा व्यवस्था भए अनुसार  
सामुदायिक / निजी होमस्टेका रुपमा दर्ता / नवीकरण गरी यो प्रमाणपत्र प्रदान गरिएको छ ।

- १) सदस्यको नाम:
- २) ठेगाना:
३. मान्य अवधि:

(GoN, 2010, p.g. 6)

### HOME STAY OPERATION CERTIFICATE

..... home stay is registered/renewed  
as a community / private home stay under home stay operation procedures 2067  
B.S.

1. Name of the owner:
2. Address of the owner :
3. Valid up to .....

Section Officer

#### शर्तहरू

- व्यवस्थापन समितिसंग समन्वय गरी पर्यटकहरूलाई बसोबासको व्यवस्था गर्नुपर्ने छ ।
- चलन चल्तीको वा निर्धारित मूल्यभन्दा बढी मूल्य लिनु हुदैन ।
- स्थानीय समाजिक सांस्कृतिक वातावरणलाई असर पर्ने खालका क्रियाकलापहरू गर्नु गराउनु हुदैन । यो प्रमाणपत्र तथा अनुसूची ४ बमोजिमको आचारसंहिता सबैले देख्ने स्थानमा राख्नु पर्नेछ ।
- व्यवस्थापन समितिसंग समन्वय गरी प्रत्येक वर्ष प्रतिवेदन बुझाउनु पर्नेछ ।
- व्यवस्थापन समितिसंग समन्वय गरी प्रत्येक वर्ष प्रतिवेदन बुझाउनु पर्नेछ
- यो प्रमाणपत्र प्रत्येक ५/५ वर्षमा नवीकरण गराउनु पर्नेछ ।

(GoN, 2010, p.g. 6)

अनुसूची ४  
(दफा ७(३)(ड) संग सम्बन्धित)  
**Code of Conduct for the Visitors**

*The home stay visitors are expected to abide the following points:*

1. Do not pressure the owner for food, beverage and facilities not available at home stay.
2. Do not disturb people at home or outside.
3. Do not offer anything to the people beyond one's capacity.
4. Beware of doing any behavior (such as sexual activities), which is impermissible to the local socio-cultural values.
5. Respect to the rites and rituals of the local people. Wear such clothes that are permissible to the community.
6. Do not impress the owner or use or other people for doing immoral or illegal activities. Respect to the household routine for entrance and exit.
7. Supply and use of narcotics or any forms of psychotropic drugs at home or outside is strictly prohibited.
8. Respect to the bio-diversity and ecology of the environment.

(GoN, 2010, p.g. 7)

## **Appendix B: Questionnaire Survey**

This research has been undertaken as a part of the Master's Thesis Study under Asian Institute of Technology, Thailand. All information collected from this survey will be used for research purposes only.

### **General questions:**

1. Respondent Number:
2. Type:
  - Community Homestay
  - Private Homestay
3. Gender:
  - Male
  - Female
  - Other
4. What percentage of your total income is dependent on the Homestay business?
  - 80% to 100%
  - 60% to 80%
  - 40% to 60%
  - 20% to 40%
  - Below 20%
5. Location:
  - District:
  - Municipality:
  - Street:

### **Questions regarding effect of COVID-19 pandemic:**

6. Number of rooms available for guests:
  - 0
  - 1 to 2
  - 3 to 4
  - 5 or more
7. Average room rates per year:
  - 2019:
  - 2020:
  - 2021:
  - 2022:
8. Details of the employees:

Years	Full Time Employees		Part Time Employees		Family Employees	
	% Of total employees	Avg. Salary	% Of total employees	Avg. Salary	% Of total employees	Avg. Salary or compensation given
<b>2019</b>						
<b>2020</b>						
<b>2021</b>						
<b>2022</b>						

9. Non-Homestay activities provided?

- ☐ Yes
- ☐ No

10. If yes, which activities are provided?

11. How was the overall performance of your business in the year 2019?

- ☐ Very Good
- ☐ Good
- ☐ Satisfactory
- ☐ Below Average
- ☐ Poor

12. How was the overall performance of your business in the year 2020?

- ☐ Very Good
- ☐ Good
- ☐ Satisfactory
- ☐ Below Average
- ☐ Poor

13. How was the overall performance of your business in the year 2021?

- ☐ Very Good
- ☐ Good
- ☐ Satisfactory
- ☐ Below Average
- ☐ Poor

14. How do you think your business will perform in the year 2022?

- ☐ Very Good
- ☐ Good

- Satisfactory
- Below Average
- Poor

15. Details regarding foreign and national guests:

Years	Foreign Guests			Nepali Guests		
	Percentage	Fee per night per person	Length of stay	Percentage	Fee per night per person	Length of stay
<b>2019</b>						
<b>2020</b>						
<b>2021</b>						
<b>2022</b>						

16. Have you taken any financial assistance from BFIS?

- Yes
- No

17. If yes, which year was the assistance taken in?

- Before 2019
- 2019
- 2020
- 2021
- 2022

18. If yes, in what percent interest rate are you paying?

- 0%
- 1% to 5%
- 6% to 10%
- 10% to 15%

19. How much income was generated from the Homestay business in the year:

- 2019
- 2020
- 2021
- 2022

20. How much expense was generated from the Homestay business in the years:

- 2019
- 2020
- 2021
- 2022

21. How much profit was generated from the Homestay business in the years:

- 2019

- 2020
- 2021
- 2022

### **Questions regarding measures used for recovery:**

22. What challenges were faced during the pandemic period?
- Low demand for Homestay Services
  - Low demand for non-homestay services
  - Payment to employees
  - Rent payment
  - Maintenance cost
  - Loan and interest payment
  - COVID-19 transmission
  - Others:
    - Please mention:
23. What concerns do you have for the post pandemic phase?
- No concerns
  - Customers unwilling to pay for Tourism Services
  - Customers unwilling to pay for Homestay Services
  - Risk of other disasters, pandemic, epidemic, etc.
  - Others:
    - Please mention
24. Did your Homestay take any measures to recover from the pandemic?
- Yes
  - No
    - Please explain why not.
25. If yes, what strategy did you use.

### **Questions regarding financial support provided:**

26. Did you use any of the following governmental support provided?
- a) Relief funds provided with an interest rate of 5%
    - Yes
    - No
  - b) Payment of salaries using the social welfare fund
    - Yes
    - No
  - c) Took financial support from Commercial Banks
    - Yes
    - No

- If yes, how did you use it?
- d) Took financial support from Development Bank or Financial Institute
  - Yes
  - No
  - If yes, how did you use it?
- e) Extended loan payment time
  - Yes
  - No
- f) Took loan for self-employment
  - Yes
  - No
  - If yes, how did you use it?

## **Appendix C: KII interview questions:**

This in-depth interview guide was used for interviews with the selected Homestay Representatives from the Homestay Industry.

### **Part 1:**

1. How do you describe the Homestay Industry of Nepal?
2. Why did you decide to enter this industry?
3. Please explain in brief how the COVID-19 pandemic affected your Homestay?
4. What were the major challenges faced during the years 2020?
5. What were the major challenges faced during the years 2021?
6. How were the challenges different in the 2 years (2020 and 2021)?
7. Has the situation improved starting from 2022? How?
8. What are the major challenges that you still are facing?
9. What challenges in your opinion will be faced by the industry in the future, post pandemic?
10. How long will it take for the industry to return to its state before the pandemic?

### **Part 2:**

11. What strategies have you used since the beginning of the pandemic to survive through it?
12. Have the strategies used changed since the beginning of the pandemic to now?  
If yes, how and why did you decide to change the strategy?
13. How effective do you think your strategy is?
14. How do you think this strategy of yours affects the financial performance of your Homestay? Please explain in terms of Revenue generated and Expenses bared.
15. What kind of support from the government can be provided in order to better implement your strategy? Have these supports been provided to you? If yes, was the support effective?
16. Now that the situation of the country is improving, would you like to adopt a new strategy?
17. If yes, what kind of strategy? Please explain.

18. What kind of governmental support do you think should be provided to the industry in order to develop effective strategies to recover from the damage caused by the pandemic, and move towards the future?
19. Would you like to share any story regarding how the governmental support provided to the industry was useful to you in the past?
20. Please explain the system of providing non-homestay services.
21. Please explain the mix of domestic and international guests welcomes by your Homestay.
22. Please explain the employee hiring and managing system of your Homestay.
23. Compared to other industry, where do you think the Homestay Industry stood, in terms of the negative effects brought by the pandemic.

**Part 3:**

24. Are you aware of the financial support provided by the government, targeted towards the Tourism Sector, to support the recovery from pandemic? If not, let me explain.
25. Have you used any of the support and funds provided?
26. If yes, has the economic condition of your Homestays improved after the use of the funds and support? To what extent? Please explain in detail.
27. If not, would you like to use them in the near future, if you are not using them yet?
28. In your opinion, do you think the funds and support provided are useful to you?  
If yes, please explain how and if no, please explain why not?
29. In your opinion, how can these funds and support already provided be improved?
30. What kind of support do you think (apart from the once already provided) needs to be provided by the government and how does it differ from the currently provided funds and support?
31. Please comment on the distribution channel of the support provided.
32. What do you think of the role of BFIS in this process?
33. What challenges do you think the Homestay stakeholders are facing, when it come to the accessing of the support provided? How do you think it can be improved?

## **Appendix D: KII for Experts of the Homestay Industry:**

This in-depth interview guide was used for interviews with the selected Experts of the Homestay Industry.

### **Part 1:**

- 1) How do you describe the Homestay Industry of Nepal?
- 2) How does your organization support this industry?
- 3) Please explain in brief how the COVID-19 pandemic affected the Homestay Industry?
- 4) Please explain in brief how the COVID-19 pandemic affected your organization?
- 5) Has your organization taken any steps to support the Homestay Industry during this time?
- 6) What kind of changes have you witnessed in the current phase of the pandemic compared to 2019, 2020 and 2021? How long do you think it will take for the industry to return to the state before the pandemic?
- 7) What kind of steps can be taken by the Homestays, your organization and the Nepal Government for the recovery of the Homestay Industry?
- 8) Please comment on the features that differentiate Community and Private Homestays. Do you think this features effect the resilience of these types of Homestays towards catastrophes like the COVID-19 pandemic?

### **Part 2:**

- 9) Are you aware of the strategies used by the Homestays in order to recover from the damage caused by the pandemic?
- 10) If yes, please provide your opinion towards the strategies used. How effective do you think these strategies are? What do you think can be done in order to make the strategies more effective?
- 11) Is your organization doing anything to support these strategies?
- 12) If no, why not?
- 13) Do you think your organization is in the position to support the industry in any way?
- 14)

### **Part 3:**

- 15) Are you aware of the financial support provided by the government, targeted towards the Tourism Sector, to support the recovery from pandemic? If not, let me explain.
- 16) What are your opinions about them?
- 17) How effective do you think they are?
- 18) What are the lacking factors in them?
- 19) How can these policies be improved and/or further enhanced?
- 20) Please suggest funds and support that can be provided to the Homestays for their recovery in the current phase, and in the post pandemic phase.
- 21) Do you think the financial borrowing pattern of the Homestay Industry has changed post declaration of the pandemic? If yea, how and why?

## **Appendix E: KII for bank stakeholders (Commercial and National Bank):**

This in-depth interview guide was used for interviews with the selected Bank (National and Commercial) Representatives.

### **Part 1**

1. What is the role of Nepal Rastra Bank (NRB) in the economic stability of Nepal?  
How have these roles developed over the years?
2. What are the major areas that were considered by the NRB while developing the financial support provided
3. How much priority was given to the Tourism Sector by the government while finalizing budget for financial support provided post the declaration of the pandemic?
4. How much priority was given to the Homestay Industry by the government while finalizing budget for financial support provided to the Tourism Sector?

### **Part 2**

5. Do you think these supports are effective to address the issues faced by the Homestay Industry caused by the pandemic?
6. How do you think these supports are effective for the Homestay Industry particularly compared to other sub-sections of the industry? Please explain.
7. Is there any other support, apart from the support that are targeted towards the Tourism Sector that could be used by the Homestay Industry? If yes, what are they?

### **Part 3**

8. How do you think the reach of the support to the targeted stakeholders are?
9. Do you think this reach is bias or discriminating in anyway? Please explain.
10. Do you think the developed support are reaching the stakeholders of the Homestay Industry in particular?
11. Has your organization done anything to strengthen this reach?

## **Appendix F: COVID-19 Prevention Guidelines developed by the Community Homestay Network:**

### **General Guidelines While Participating in Community Tours:**

You can help reduce the risk of COVID for yourself, your travel partners and communities by following these basic COVID prevention steps.

1. Listen to and follow advice and regulations issued by the Government of Nepal.

नेपाल सरकारद्वारा जारी गरिएको ननयम र काननको पालना गनहोसु ।

2. Always wear a mask, unless you are with people from your family.

आफ्नो घरको मान्छे बाहेक अरुसँग बस्दा मास्कको अननवायय प्रयोग गनहोसु ।

3. Avoid touching your mouth, eyes and nose.

भरसक आँखा, नाक र मुख नछुनहोसु ।

4. Wash your hands thoroughly with soap and water, or sanitise your hands with at least 70% alcohol sanitizer, several times a day.

हातलाई साबुन पानी अथवा ७० प्रनतशत अल्कोहल भएको स्यानीटाइजरले सफा गनहोसु ।

5. Cover your mouth and nose with bent elbow or tissue when coughing or sneezing. Always wash your hands afterwards.

खोक्दा र हाच्छु गदाय रुमाल अथवा आफ्नो कुइनोले मुख छोप्नहोसु । यसो गरेपनछ तत्कालै हात धनु होसु ।

6. Maintain at least a 6 feet distance from other people, unless you are from the same family.

आफ्नो घरको मान्छे बाहेक अरूसँग कम्तीमा पनन ६ फफटको दरीु कायम गनहोसुय  
।

7. Avoid close contact, such as handshakes or hugs.

कसैसँग अगं ालो हाल्ने र हात ममलाउने नगनहोस।ुय

8. Do not give or receive gifts, share food, drinks or personal objects, such as cameras, water bottles etc.

उपहार मलने वा ददने नगनहोस।ुय साथै आफ्ना व्यक्कतगत सामान कसैसँग  
ममलेर उपयोग नगनहोसुय ।

9. Always carry your own mask, hand sanitizers and water bottles.

व्यक्कतगत मास्क, सेननटाइजर र पानीको बोतल बोक्नहोसु ।

10. Dispose of personal waste safely (tissues, masks, water bottles), in closed bins.

व्यक्कतगत फोहोर (दटस्यु, मास्क आदद) सरक्षितु रूपमा ववस्थापन गरेर पयटय  
क, टूर अपरेटरहरू र गाइडहरूले आफु घमेकोु ठाँउलाई सफा राख्न सहयोग गनहोसुय  
।

11. In case of symptoms (fever, cough, loss of smell and taste): quarantine yourself immediately and ask to contact the closest health center/doctor.

यदद रोगको लिण (खोकी लाग्नु , ज्वरो आउनु , स्वाद र गन्ध ठम्याउँन नसक्नु ) भएमा  
क्वारेन्टनमा राख्नहोसु र तत्कालै नक्जकको स्वास्थ्य सस्थाको परामशय मलनहोसु  
।

#### COVID Safety Recommendation for Local Community Managers:

Ensure that all host and local guides understand and have practised how to deliver their services safely: with sufficient social distancing, masks and hygiene practices in place.

सबै होस्ट र स्थानीय गाईडहरूले कसरी सेवाहरू सरक्षित रूपमा पुर्याउने भनेर पर्याप्त  
सामाजिक दूरी , मास्क र सरसफाइ अनन स्वच्छता साथ अभ्यास गरेका छन् र  
बझ्दछन् भन्ने कुरा सननक्षित गनहोसु ।

2. Ensure that the community surrounding is kept clean with proper disposal bins installed in various areas.

वरपरको समदायु सफा राखिएको छ वमभन्न िेत्रमा ठीक ढंगले डस्टबिनको व्यवस्था  
गरिएको ननक्षित गनहोसु ।

3. Distribute the checklist of important things to be done to all hosts and local guides and ensure that they follow the checklist, to clean and disinfect the area, surface and items used by the guest, before and after receiving the guest.

सबै होस्टहरू र स्थानीय गाईडहरूलाई महत्वपण्यु कायहय रूको िके मलस्टको ववतरण  
गनहोसु र उनीहरूले िेत्र सफा र कीटाणु क्तु गनय, अनतथथले प्रयोग गरेको

क्षेत्र, सतह र आइटमहरू अनतथथले प्रयोग गर्नु यअनघ र पनछ िके मलस्ट अनसारु  
ननयम पालना गरेका छन फक छैन भनेर ननक्चित गनहोसुय ।

4. Only accept tourists who have booked in advance. Minimum advance booking of 24 hours or more is advised.

अथिम बफकु ंग गरेका पयटय कहरुलाई मात्र स्वीकार गनहोसुय । २४ घण्टा वा सोभन्दा  
बढीको न्यनतम् अथिम बफकु ंग मात्र लीन सल्लाह ददइन्छ।

5. Register each visitors' name and nationality including the information on their travel history & medical condition when they arrive. Also note the name of any accompanying tour guides or taxi drivers.

प्रत्येक आगन्तककोु नाम र राक्रियता, उनीहरूको यात्राको इनतहास र थिफकत्सा  
अवस्थाबारे जानकारी नतनीहरू आउनअघीु नै दताय गनहोसुय ् साथै उननहरूको  
साथमा कुनैपनन टूर गाईडहरू वा ट्याक्सी ड्राइभरहरू छन भने नाम र फोन नम्बर नोट  
गनहोसुय ।

6. Keep guest information and contact details for a minimum of 3 weeks after their visit.

उनीहरूको भ्रमण पनछ ककम्तमा ३ हप्ताको लाथग अनतथथ जानकारी र सम्पकय वववरण  
राख्नहोसु ।

7. Setup a quarantine facility away from the crowded areas in the community to isolate tourists or accompanying tour guides in case they show symptoms of COVID. Seating and shade should be prepared in the quarantine area.

यदद पयटय कहरु वा यसका साथ टूर गाईडले COVID को लिणहरु देखाएको खन्डमा  
समदायमा भीडभाड

त्रिबाट टाढा उपयक्तु त्रि सेटअप गनहोसु । बस्ने र सत्नु अलग quarantine area  
को व्यवस्थापन गनपदयछ।य

8. Be prepared for emergencies: Keep a list of important contacts, such as the nearest hospital, emergency service and corresponding tour operator. Follow emergency guidelines provided by local authorities.

आपतकामलन कस्थनतकालाथग तयारहनहोसु । महत्वपण्यू सम्पकयहरुको जस्तै  
नक्जकको अस्पताल, आपतकालीन सेवा र सम्बन्धित टुर अपरेटर सबैको सिँ राख्नहोशु ।  
स्थानीय अथधकारीहरु द्वारा प्रदान आपतकालीन ददशाननदेशहरु पालना गनहोसु ।

COVID Safety Recommendation for Homestay:

Allocate a room for the guest which is isolated from other household member's rooms or not frequented by other members of the family. Keep the room well ventilated allowing free air circulation.

पाहुनाका लाथग कोठा छुट्याउददा अन्य घरका सदस्यको कोठाबाट टाढा  
राख्नहोशु वा अन्य पररवारका सदस्यहरुद्वारा कम आवतजावत गररने कोठा  
छुट्याउनहोसु । कोठालाई हावामा िल्ने गरी हवाको सकयलेसनसदहतु  
राख्नहोसु ।

2. Host 1 guest per room unless they are from the same family.

जबसम्म एकै पररवारका पाहुनाहरु हुँदैनन एउटा कोठा एक पाहुनालाई मात्र ददनहोशु

3. Maintain social distancing and wear a mask while welcoming and interacting with the guest.

पाहुनालाई स्वागत र अन्तर्फ्रया गदाय सामाजिक दूरी कायम राख्नहोसु र मास्क लगाउनहोसु ।

4. The guest rooms, common areas and areas surrounding the house should be cleaned frequently. Special attention to sanitize the rooms and in room linens (bed sheets, towels, etc.). Wear proper protective equipment while cleaning.

अनन्तथ कोठा, साझा िेत्र र घर वरपरका िेत्रहरू बारम्बार सफा गर्नपछ्युय ।

कोठा र कोठाका कपडा (ओयानको तन्ना, तौमलया, आदद ) लाई सफा गर्नय ववशेष ध्यान ददनहोसु । स्फाई गदाय उथित सरिु उपकरण लगाउनहोसु ।

5. Place a closed lid Dustbin in the guest room for the guest to dispose of used masks and tissues.

पाहुना कोठामा डस्टबबन अननवायय राख्नहोसु ताकी पाहुनाले प्रयोग गरेका मास्क र दटचयहरूु त्यहाँ राख्न सकुन ।

6. In case of any emergency contact with the community manager for guest evacuation.

आपतकालीन स्थीतीमा अनन्तथ ननकासीको लाथग समदायु प्रबन्धकसँग सम्पकय गर्नहोसुय ।

COVID Safety Recommendation for preparing and serving food and drink in Homestay:

1. Community members involved in preparing and serving food to the guest should wear masks.

पाहुनालाई खाना तयार गन ेर सेवा गने समदायकाु सदस्यहरूले मास्क लगाउनु पछ्य।

2. The community members must wash hands frequently with soap and water.

समदायकाु सदस्यहरूले साबनु पानीले बारम्बार हात धोइरहनु पदयछ।

3. If possible setup an open space dining area for guests e.g. terrace, patio, garden, etc. If not, the indoor dining space should be set up to host a maximum of 4 people in a 10 square metre area.

यदद सम्भव छ भने पाहुनाहरूको लाथग भोजन गनय खलाु स्थान छुट्याउनहोसु , उदाहरणका लाथग छत, आँगन, बगैँि, आदद । यदद होइन भने, इनडोर डाइननगं स्पेस १० वगय ममटर िेत्रमा अथधकतम ४ जना पाहुना राख्ने गरर ममलाउनहोसु ।

4. Physical distance of minimum 6 feet should be maintained in the dining area between each tourist, (unless they are sitting and eating with members of the same household).

ककम्तमा ६ फफटको शारीरक दरीू प्रत्येक पयटय कको बबिमा, भोजन िेत्रमा कायम राख्नपदयछु , (जबसम्म नतनीहरू एकै पररवारका सदस्यहरूसँग बसेर खाने छैनन )।

5. Offer only individual servings, no buffets.

सामदहकु भोजन (बफे) नगराउनहोसु ।

6. Provide a hand washing area for guest before and after meal  
खाना खानु भन्दा पदहले र पनछ पाहुनाका लाथग हात धनु िेत्र प्रदान  
गनहोसुय ।

7. After eating, disinfect everything which guests might have touched,  
using soap and water.

खाइसकेपनछ, अनतथथहरूले छोएको ठाँउ र सामानलाई साबनु र पानीको प्रयोग गरेर  
कीटाणशोधनु गनहोसुय ।

#### COVID Safety Recommendation for Community Tour Guides

1. Check and ensure that any tools, equipment, gears and  
location which will be used during the guided tour and activity are  
cleaned before and after each trip, with soap and water or suitable  
cleaning product.

भ्रमणमा जाँदा प्रयोग हुने सबै उपकरण र सामानलाई प्रयोग हुन ुअनघ र पनछ  
राम्रोसँग साबनु पानी अथवा कीटाणनाशकले सफा गनपछ्यु

2. Give tourists a warm welcome and brief them on the  
program. Explain safety measures taken by the community, including  
any guidelines or do's and don'ts for tourists.

पयटय कहरूलाई न्यानो स्वागत ददनहोसु साथै काय्य मको जानकारी  
गराउनहोसु समदायले मलएको सरिु उपायहरूको व्याख्या गनहोसुय  
्र पयटय कहरूले गनय हुने र नहुने ्ा पनन बताउनहोसु ्।

3. Work with tour operator guides or drivers or community  
members to divide large numbers of tourists into small groups to ensure

social distancing. Recommended group size is maximum of 5 people per travel group.

टूर अपरेटर, गाइड, ड्राइभर वा समदायु सदस्यसँग ममलेर ठूलो संख्याका पयटय कहरुलाई सानो समहमाव ववभाजन गरर सामाक्जक दरी सननक्चितु गनहोसुय । एउटा समहमाव ५ जना वा सो भन्दा कम सम्म राख्न मसफाररश गररन्छ ।

4. While leading the tour, be observant, and remind tourists and local community members to maintain social distancing (e.g. not take selfies with local people).

भ्रमणको नेतृत्व गदाय पयटय कहरु र स्थानीय समदायका सदस्यहरूलाई सामाक्जक दरी कायम राख्न सम्झाउनहोसु ( उदाहरणका लाथग स्थानीय व्यक्कतहरूसँग सेल्फी नमलनहोसु )।

5. Make sure that tourists and local community members do not take food or drink from shared containers / plates.

ननक्चित गनहोसुय फक पयटय क र स्थानीय समुदायका सदस्यहरूले साझा प्लेट र बोतलहरूबाट खाने र वपउने गर्दैनन ।

Do's and Don'ts for Travellers Do's: 1. Wear a mask, unless you are with people from your family.

आफ्नो पररवारका माननसहरूसँग बाहेक अरूसँग बस्दा अननवायय मास्क लगाउनहोसु ।

2. Carry your own mask, hand sanitizers and water bottles.

व्यक्कतगत मास्क, सेननटाइजर र पानीको बोतल बोक्नहोसु ।

3. Use hand sanitizers before, during and after activities or touching any surfaces.

कुनै पनन सतह र सामान छोए पनछ सेननटाइजर प्रयोग गनहोसुय ्।

4. Dispose of personal waste safely such as tissues, masks, water bottles in closed bins.

व्यक्कतगत फोहोरलाई (जस्तै दटशू, मास्क र पानीको बोटल) डस्टवीनमा राखख सदह ब्यबस्थापन गनहोसुय ्।

5. Interact with community members and host by maintaining at least a 6 feet distance.

ककम्तमा ६ फफट दरीू बनाएर समदायकाु सदस्यहरु र होस्टसँग अन्तफ्रया गनहोसुय ।्

6. Follow the guidelines of your tour guide.

तपाईंको गाइडले ददएको मागनयनदेशनको पालना गनहोसुय ्।

7. If you experience symptoms (fever, cough, loss of smell and taste) stay calm, remain isolated and inform your tour guide or host. They will help you.

यदद तपाईँ लिणहरु (ज्वरो, खोकी, गन्ध र स्वाद को हानन) को अनभवु गनहुय ुन्छ भने नआनतनहोसु , ्अरुबाट अलग रहनहोसु र तपाईँको गाइड वा होस्टलाई सथितू गनहोसुय ् नतनीहरुले नतमीलाई मददत गनछने ्।

Don'ts: 1. Touch your eyes and mouth.

आफ्नो आँखा र मुख

छुने ।

2. Shake hands and share hugs with people in the community  
समदायमा ु व्यक्कतहरूसँग हात ममलाउने र आमलगं न गने
3. Throw used masks and tissues in open areas प्रयोग गरिएको  
मास्क र दटचयहरू खला ु िेत्रहरूमा फाल्ने ।
4. Share personal belongings like water bottles, cameras and  
foods with others अरूसँग पानीको बोतल, क्यामेरा र खाद्य पदार्थहरू  
जस्ता व्यक्तिगत िीजहरू साझादे ारी गने ।
5. Touch items in shops unless you plan to buy it.  
फकन्ने योजना नभइ पसलका सामानहरू जथाभावी छुने ।

COVID Safety Recommendation for Local  
artisans and performers: 1. Workshops and  
classes must be organized in open space काय्य  
महरू खल्ला ु ठाँउमा सन्िलन हुनपदयछु ।

2. An appropriate area should be prepared, with sufficient shade and shelter from rain or heat. If any equipment is to be used by tourists during the workshop or class, it must be cleaned thoroughly with soap and water, disinfectant or alcohol before each group.

पयायप्त छाया भएको, वर्षाय र तातोबाट आश्रयको व्यवस्था भएको एउटा उपयक्त  
िेत्र तयार गनपनुय छे । यदद कुनै उपकरण वकयशप वा किको ुममा पयटय  
कहरूले प्रयोग गन ेहो भने, त्यसलाई साबनु र पानी अथवा कीटाणनाशकले  
प्रयोग हुनु भन्दा अगाडि र प्रयोग भए पनछ सफा गनपदयछुय ।

3. Artisans must not have physical contact with visitors during craft demonstrations or hands-on experiences

मशल्पकारसँग मशल्प प्रदशयन वा हस्तकला अनभवकां ममा सहभागी हुँदा  
भौनतक दरीं कायम राख्न पुनछे ।

4. During arts performances, there must be sufficient social distancing between performers and tourists, and between groups of tourists कला प्रदशनय को समयमा,  
प्रदशनय कताय र पयटय कहरु वा पयटय कहरुको समहू बीि पयायप्त सामाक्जक दरीं  
हुनपु दयछ ।

5. A good photo spot should be arranged in advance, so that visitors and community members can take an attractive socially distanced photo.

एउटा राम्रो फोटो मलने स्थान अथिम रूपमा व्यवक्स्थत गररनु पछय, ताफक  
आगन्तकु र समदायकां सदस्यहरुले सामाक्जक दरीं कायमनै राखी आक्षकय  
फोटो मलन सकुन ।