Regulatory Bottlenecks Impeding Homestay Business in India

By Dripto Mukhopadhyay

1. Background

These days the term "sustainable tourism" is a buzzword for tourism stakeholders including policy makers. Sustainable tourism is an overall vehicle that can be used for local economic development also apart from protecting environment and culture of a region and country. Though on paper the understanding about sustainable development is quite clear to all stakeholders, but in many cases it does not reflect in practice. One of the key issues is regulatory framework. Regulatory regimes for any industry are important to make sure that both producers and consumers are benefited from policy issues. Homestay is a tool for developing sustainable tourism development and requires regulatory support to grow organically.

This blog shares findings of ACRA's study that covered six states, viz., Maharashtra, Himachal Pradesh, Rajasthan, Goa, Sikkim and Kerala. The study covered about 200 homestays across these six states and talked to homestay owners/managers in great details about the challenges they face. The study also consulted policy documents and other guidelines of the Central and the State governments to understand government initiatives to promote homestay business in India. The central government and state governments' guidelines clearly specify their visions about homestay development to promote tourism. This blog presents the challenges that were observed through discussions with homestay owner/managers and as extracted from the tourism policy documents of the states.

2. Central Government Guidelines

Ministry of tourism, Government of India issued guidelines for approval and registration of incredible India bed & breakfast/homestay establishments in 2019. The objective of this guideline is to build a national standard of the homestay segment so that tourists can experience the local customs, traditions, cuisine and other attractions at the destinations in comfortable and engaging ways. The guideline envisions quality assurance of the homestay units through a systematic process to benefit both the customers and homestay owners. The objective is to promote a national common minimum standard for residential/home accommodation where the quality may vary

extensively. Such standardization of quality would help in:

- Diversify the visitor accommodation offerings in various parts of India
- Increase the supply of visitor rooms in the cities and tourist places
- Encourage and bring in the locked residential units as part of visitor accommodation pool
- Supplement the employment and economic benefits of the homestay owner and local community
- And finally, promote low-impact sustainable and responsible tourism development.

The guideline mandate registration of the homestay and mentions certain location characteristics along with key facilities including room quality, lighting, washroom, waste disposal and similar ones to be available in the homestay as part of the minimum standards.[1] The guideline also mentions a certificate to be obtained from a local police station as part of registration.

3. Homestays and State Tourism Policies

The state governments have their own tourism policies. Different state governments promote homestays with their own promotional schemes. It's heartening to see that 18 states have a specific mention for homestays in their policies. The policy documents of these states suggest that 14 states have clearly mentioned that registration is mandatory to run homestay business. It is expected that since the central and state governments acknowledge homestays as tool for sustainable tourism development, the procedures to register and run homestay business would be business friendly instead of creating obstacles to run homestay business.

- Information gap makes it difficult. When a potential entrepreneur approaches the department to know the requirements for homestay registration, the information shared is incomplete. The stipulated requirements are told in multiple steps which requires multiple visits for an applicant to the department.
- It requires multiple no objection certificates (NOCs) from different departments including the local body and environment department. This necessitates multiple visits to each department/office to obtain the certificates.
- Once all documents and certificates including NOCs are submitted, physical inspection is needed for final approval. This is again a time taking procedure considering individual

[1] For details on guideline issued by Min. of Tourism, Government of India, pl click the link http://tourism.gov.in/sites/default/files/082720140204879_0.pdf

involvement in the inspection process.

- Final approval process after the inspection has been termed as a relatively smoother process. Of late, most of the states have stipulated 30 days for final approval from the date of submission of all completed documents.

Most of the homestays revealed that the process should be less stringent and less time taking. Some suggestions include:

- Registration should be a centralised via single window system so that applicants are able to know all requirements at one go from the nodal department. This can save time and effort on part of applicants.

- The procedure for obtaining NOCs from different departments or authorities should be made simple and it can be done internally within the nodal approval agency instead of the applicant approaches every department obtain NOCs.

- There should be a stipulated timeline at each phase so that the applicant is aware of the status and plan his business accordingly.

- Manual intervention should be removed as much as possible and the process should be more technology driven.

- Online status of the application should be there to make the process more transparent and time efficient.

- Physical verification should be replaced by technology enabled verification e.g. as being done under the Swachch Bharat Abhiyaan where a complaint can be logged in using the app which allows for the capture of photo that are date, location and time stamped. This improves the veracity of the claims and reduces rent seeking within the process.

4. Perception of Homestay Owners about Government Support

The respondents were also asked about various incentives or subsidies or other help they received during launching their homestay business. The survey findings revealed that:

- All respondents received facilities like domestic rates for electricity and water charges, non-commercial status of the property and tax exemptions.

- Some of the homestay operators suggested that they received training from government authority. However, all respondents were keen for further training if available so that their operations can be made smooth further.

Apart from studying the tourism policies of the states, the study also collated all homestay related schemes as notified by the respective state governments that are available in public domain. It was found that the schemes extended benefits to homestay in terms of:

- Incentives
- Subsidies
- Tax benefits
- Other benefits

Detailed benefits extended by the state governments are presented in Appendix 2. A thorough study of these documents shows that a few selected states have declared schemes that are significant support to start homestays. These supports include financial as well as facilitating operational aspects of running a homestay. Most common ones are subsidies to construct rooms, exemption from luxury taxes, electricity and water charges as per domestic rates, exemption from land conversion charges among the financial ones. Apart from these, organising training for skill development, listing on government websites, helping in online payment options etc. were also important among other supports declared by the state governments.

The survey gathered perceptions about complete registration procedure as the homestay units experienced in three phases:

- Application process for registration

- Inspection phase
- Final approval after inspection

5. Challenges for Registration

The process to be followed to register a property as homestay requires three phases. At the initial phase one needs to apply to the authority in prescribed forms with all documents and no objection certificates (NOC) from relevant departments with complete project plan. The department scrutinises the application and if found suitable, sends relevant officials for physical verifications based on the documents submitted. Once the report is submitted after inspection, a committee decides about the final approval.

However, in all the states inspection can happen at any point of time after the registration to ascertain that the homestay maintains all operations as per application for approval. If any change is made in the original plan submitted, it needs to be intimated to the authority within a stipulated period for approval.

Though the process looks simple on paper, according to the respondents it took them around a year to a year and half to complete the registration process. It takes even more if the entrepreneur is not a resident of that state (wherever allowed). Certain issues that are reported as key problems in registration process are the following:

Standings of the State Governments at a Glance from Regulatory Perspective[2]

State	Latest Tourism Policy	Specific mention about homestay	Registration mandatory	Incentives given	Tax benefits	Other benefits
Andhra Pradesh	2015	Yes	No	No	No	No
Assam	2017	Yes	Yes	Yes	No	No
Bihar	2009	No	No	No	No	No
Delhi	2002	Yes	Yes	Vague	Vague	Yes
Goa (No overall tourism policy)	No	No	No	No	No	No
GUJARAT	2015	Yes	Yes	Vague	Yes	Vague
Haryana	2008	No	No	No	No	No
Himachal Pradesh	2019	Yes	Yes	Yes	Vague	Yes
Karnataka	2015	Yes	Yes	Vague	Vague	No
Kerala	2017	Yes	Yes	No	No	No
Madhya Pradesh	2016	Yes	Yes	Yes	Yes	No
Maharashtra	2016	Yes	Yes	No	No	No
Manipur	2014	No	No	No	No	No
Meghalaya	2011	Yes	Yes	Yes	No	No
Mizoram	2017	No	No	No	No	No
Nagaland	2001	Yes	Yes	No	No	No
Odisha	2016	No	Yes	No	No	No
Punjab	2017	Yes	Yes	Vague	No	No
Rajasthan	2015	Yes	Yes	No	No	No
Sikkim	2018	Yes	Yes	Vague	No	No
Tamil Nadu	2019	Yes	No	No	No	No
Telangana	2018	Yes	Yes	No	No	No
Uttar Pradesh	2018	Yes	Yes	Vague	Yes	Vague
Uttarakhand	2018	Yes	Yes	Yes	Vague	Yes
West Bengal	2016	Yes	Yes	Yes	Yes	Vague

Legend –

[Green] - Yes

[Yellow] - Vague

[Red] - No

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[2] As of 2020 September