

**ASSESSMENT OF RURAL AGRO-BASED TOURISM
OPERATION: CASE STUDY OF CLUSTERED
HOMESTAYS IN KELANTAN, MALAYSIA**

BY

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**A thesis submitted in fulfilment of the requirement for the
degree of Master of Science (Built Environment)**

**Kulliyyah of Architecture and Environmental Design
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ABSTRACT

Tourism plays a vital role in Malaysia as one of the most significant contributors to the national economy, contributing a total of RM 190.3 billion (13.3%) of Gross Domestic Product (GDP) in 2018 (World Travel and Tourism Council, 2019). Agro-tourism is one of the tourism concept that is rapidly gaining popularity in Malaysia as it offers tourists different type of activities relating to the agriculture sector. The local community would offer a homestay program as one of the activities for the visitors. Homestay programmes provided opportunities where visitors can discover more of local agro-tourism practices and cultural activities. Tucked away in north-eastern Peninsular Malaysia and bounded by Thailand in the north, Terengganu in the east, Pahang in the south and Perak in the west, Kelantan has successfully continued legacy of keeping alive its rich tangible (handicraft, historical sites and buildings) and intangible heritage (culture, customs and traditions). Kelantan is full of natural resources. Even though Kelantan has a vast number of tourist products and attractions, there is still a lack of studies and information on Homestays in Kelantan. The main purpose of this study is to fill in the gap by providing detailed information on homestay programme in Kelantan area. This study also sought to: (1) take inventory of facilities and amenities in the study area; (2) analyse skills (soft-infrastructure) perceived to be essential by homestay owners; and (3) propose possible approaches or recommendations that could upgrade infrastructure for tourist conveniences. Research methodology using a content analysis approach was adopted in order to review documented sources and a qualitative approach using face to face interview with the homestay owners. The study revealed the assessment of rural agro-tourism and local community income generated from Homestays in Kelantan. The results showed that despite the excellent efforts in maintaining the condition of their rooms to offer and rental rates per night had been relatively competitive, and they still received a low number of tourists every year. During the discussion session also, homestay owners were expressing their expectation in enhancing their interpersonal skills.

خلاصة البحث

تلعب السياحة دورًا حيويًا في ماليزيا بوصفها واحدة من أهم المساهمين في الاقتصاد الوطني، حيث تساهم 190.3 مليار رينجيت ماليزي (13.3%) من الناتج المحلي الإجمالي في عام 2018 (المجلس العالمي للسفر والسياحة ، 2019). والسياحة الزراعية هي واحدة من المفاهيم السياحية التي تكتسب شعبية بسرعة في ماليزيا لأنها تقدم للسائحين أنواعا مختلفة من الأنشطة المتعلقة بقطاع الزراعة. سيقدم المجتمع المحلي برنامج إقامة منزلية كأحد الأنشطة للزوار. وتوفر برامج الإقامة المنزلية الفرص للزوار في اكتشاف المزيد من ممارسات السياحة الزراعية المحلية والأنشطة الثقافية. لقد واصلت كلنتن بنجاح إرثها للحفاظ على الحياة الملموسة الغنية (الحرف اليدوية والمواقع التاريخية والمباني) والتراث غير المادي (الثقافة والعادات والتقاليد). كلنتن مليئة بالموارد الطبيعية – كونها في شمال شرق شبه الجزيرة الماليزية، وتحدها تايلاند في الشمال، وترنجانو في الشرق، وباهنج في الجنوب وبيراك في الغرب. على الرغم من أن كلنتن لديها عدد كبير من المنتجات السياحية وال جذب السياحي، لا يزال هناك نقص في الدراسات والمعلومات حول الإقامة فيها. كان الغرض الرئيسي من هذه الدراسة هو سد الفجوة من خلال توفير معلومات مفصلة عن برنامج الإقامة المنزلية في ولاية كلنتن. وسعت هذه الدراسة أيضًا إلى: (1) سرد قائمة التسهيلات والمرافق في منطقة الدراسة؛ (2) وتحليل المهارات (البنية التحتية اللينة) التي يُنظر إليها على أنها ضرورية من قبل مالكي المنازل؛ و(3) اقتراح الأساليب أو التوصيات الممكنة التي يمكن أن تحسن البنية التحتية للراحة السياحية. لقد تم اعتماد منهجية البحث باستخدام طريقة تحليل المحتوى من أجل مراجعة المصادر الموثقة والنهج النوعي باستخدام مقابلة وجهاً لوجه مع أصحاب الإقامة المنزلية. كشفت الدراسة عن تقييم السياحة الزراعية الريفية ودخل المجتمع المحلي المتولد من الإقامة في كلنتن. وأظهرت النتائج أنه على الرغم من الجهود الممتازة التي بذلت للحفاظ على حالة غرفهم لعرض أسعار الإيجار في الليلة كانت تنافسية نسبياً، وأنها لا تزال تتلقى عددا قليلا من السياح كل عام. خلال جلسة المناقشة أيضاً، أعرب أصحاب المنازل عن توقعاتهم في تعزيز مهاراتهم الشخصية.

APPROVAL PAGE

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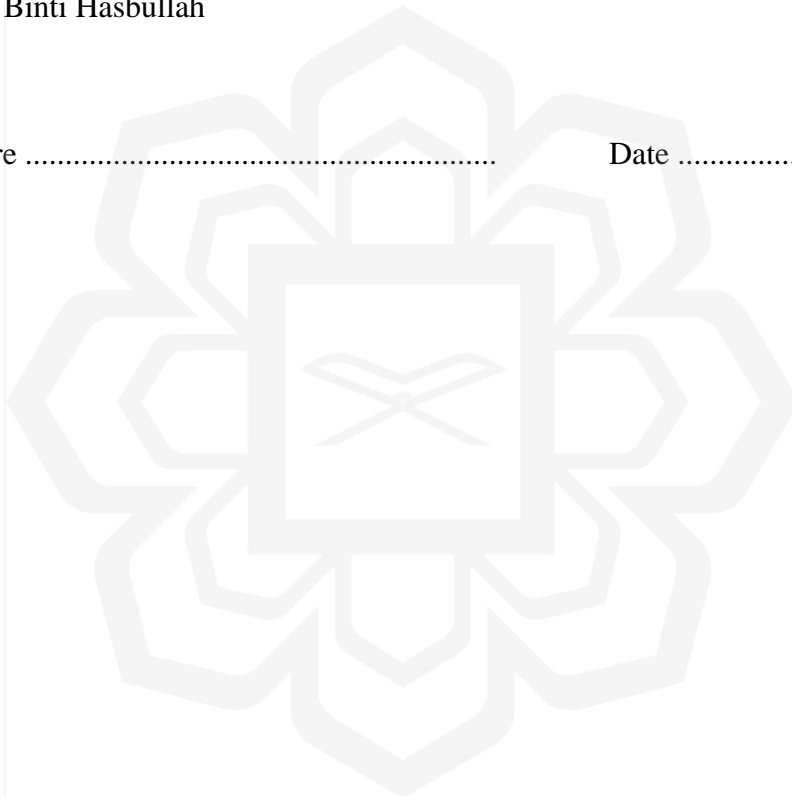
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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

The thesis focuses on rural agro-tourism in Kelantan, specifically homestays under the purview of the Ministry of Tourism and Culture Malaysia (MOTAC). Tourism is one of the largest investments that any country, including Malaysia, could offer, as it involves three main elements: the economy, the society and the environment. The Malaysia government has identified tourism as a high priority growth sector and is aggressively promoting Malaysia worldwide (Josiam, Sohail & Monteiro, 2007). It serves several economic gains and increased revenue for industries such as transportations, restaurants, hotels and also things that related to supplies, entertainment and currency exchange.

Tourism plays a vital role in Malaysia as one of the most significant contributors to the national economy, contributing a total of RM 190.3 billion (13.3%) of Gross Domestic Product (GDP) in 2018 (World Travel and Tourism Council, 2019). Based upon the annual research of the World Travel and Tourism Council (2018), the tourism industry also has opened up new opportunities and benefited Malaysians, bringing in RM 23.0 billion of investment in 2017 alone. The tourism industry affected the economy positively as it is one of the top and fastest-growing sectors in the world. It plays a very significant role in the economy and stimulates the development of other sectors (e.g., agriculture) of the economy (Osman & Sentosa, 2013).

Based on Crescentrating’s Halal Friendly Travel Ranking (2019), Organisation of Islamic Cooperation (OIC), Malaysia retains its first-place position as the most popular Halal or Muslim-friendly holiday destination for ninth straight years from 2010 to 2019. Malaysia has been named Asia’s Leading Tourist Board and Asia’s leading destination at the World Travel Awards Asia and Australasia in 2016, with 25.7 million international tourist arrivals in 2015 and RM 69.1 billion revenue from foreign tourists (Tourism Malaysia, 2016). The highest recorded visit by international tourists to the country was 27.44 million visitors in 2014, with RM 72 billion tourist receipts (Tourism Malaysia, 2017). Currently, the average length of stay in 2018 for visitors to Malaysia increased to 6.5 nights from 5.7 nights in the previous year, contributing RM84.1 billion to the country’s revenue (Tourism Malaysia, 2018).

Tourism Malaysia recorded 25.83 million tourist arrivals in Malaysia for 2018 (see Figure 1.1). It was a decline of 0.4 per cent year on year from the figure of 25.95 million in 2017. Furthermore, the 2018 tourist receipts fell short of the RM 84.9 billion target and instead came in at RM 84.1 billion. It rose from RM82.2 billion annually by 2.4 per cent (see Figure 1.2).



Figure 1. 1: Tourist Arrivals to Malaysia by Year
Source: Tourism Malaysia, 2019

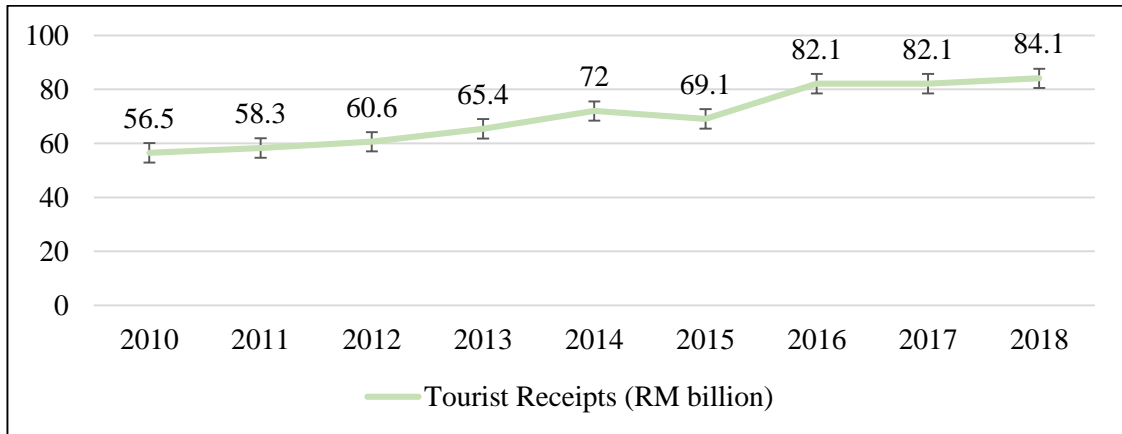


Figure 1. 2: Tourist Receipts in Malaysia by Year
Source: Tourism Malaysia, 2017

Tourists tended to spend more on destinations than local people because they tend to stay longer and allocated more money on shopping, eating out and lodging. Malaysia is a diverse and beautiful country with many highlights and is well known for its delightful and authentic attractions. The many different regions, each with its feature and attributes, has a unique equatorial character and has a developed infrastructure and services sector with a wide range of tourist attractions, making this country the perfect destination for tourists.

Rural agro-tourism is one of the new opportunities that will boost Malaysian tourism (MOTAC, 2014). Agro-tourism is a form of tourism that is gaining rapid popularity in Malaysia because it offers tourists an array of activities related to the agricultural sector. Agro-tourism or farm-based tourism is a sustainable tourist development and multi-activity in rural areas in which the visitors have the opportunity to get close to agricultural areas, occupation, local produce, traditional food and the daily lives of rural people. Also, visitors have an opportunity to learn and experience the cultural elements and traditions of the local communities (Mansor, Mat Rashid, Mohamad & Abdullah, 2015). Refer to Chapter 2: Literature Review for details definition and section of agro-tourism.

Among the famous tourist destination states in the Peninsula, is the state of Kelantan. Kelantan is driven by the production of rice, rubber and tobacco. Fishing and livestock rearing are also two important economic activities. Kelantan is not only renowned for its agriculture production but is also a thriving centre of cultural arts. Thus, Kelantan has what it takes to spearhead the rural agro-tourism industry in Malaysia. Kelantan is one of the states in Malaysia that is famous for its cultural, natural attraction and beautiful destination. Main economic activities for Kelantan originated from agriculture. However, Kelantan's agricultural sector declined to negative 1.0% due to a decrease in the production of rubber and palm oil (Department of Statistics, 2019). Refer to Chapter 1.2 Research Background for more details on Kelantan.

Tourism is the second most main sector for Kelantan. Recently, the tourism industry has become one of Kelantan's major income generators (Aziz, Awang & Zaiton, 2012). However, some areas in Kelantan lack in support facilities, including infrastructure, to provide a quality experience for tourists. Similarly, Abdullah (2019) found that seven districts in Kelantan are poor due to lack of infrastructure. Lack of infrastructure will impede economic growth in the state. Particularly receiving less support were the attractions located in rural areas, such as homestay (Inap Desa) that registered with MOTAC. Therefore, the need for selecting and designing support facilities and amenities, especially infrastructure, had been of the essence in promoting rural agro-tourism. By offering adequate facilities and amenities, tourists will have a broader range of the areas' culture and history. Therefore, this study aims at developing possible approaches or recommendations that enable tourist facilities and amenities play a significant role in creating success stories of rural agro-tourism in Kelantan.

1.2 RESEARCH BACKGROUND



Figure 1. 3: Map of Kelantan

It was tucked away in the north-eastern Peninsular Malaysia. Bounded by Thailand in the north, Terengganu in the east, Pahang in the south and Perak in the west (see Figure 1.3), Kelantan has successfully continued the legacy of keeping alive its rich tangible (handicraft, historical sites and buildings) and intangible heritage (culture, customs and traditions). Kelantan earning the title “The Cradle of Malay Culture” is an agrarian state with paddy fields, rustic fishing villages and casuarina-lined beaches. Kelantan has a population of about 1.83 million (Department of Statistics, 2019) of which 95.9 per cent was Bumiputera, and the rest were Chinese, Indians and Thai ethnicity with a population density of 122/km². The state has an area of 15,101 km², with most of the physical area in the state is still untouched. Gross domestic product in Kelantan grew 5.0 per cent (2017) compared to 4.8 per cent (2016) supported by the sectors of Services, Agriculture and Manufacturing (Department of Statistics, 2018). Tourism is a growing industry, as more and more people come to see the richness of Malay culture inherent in the lifestyles of the people of Kelantan.

Rural agro-tourism gives local communities the opportunities to expand their activities and also to increase their income. The local community would offer a homestay programme as one of the activities for the visitors. Homestay programme in this research is a homestay that is clustered, monitored and listed under the Ministry of Tourism and Culture Malaysia (MOTAC). The leading agency responsible for developing rural agro-tourism in Malaysia is the Ministry of Agriculture and Agro-Based Industry, while MOTAC assists in terms of promotion it. Malaysian Homestay Programme and Tourism Development Infrastructure Fund are two incentives provided by MOTAC to improve income and economic potentials of small farms, local rural communities and agro-based ventures throughout the country (MOTAC, 2014).

MOTAC increased focus on the development of homestay because it is regarded as a potentially useful product in promoting the country as well as getting the community involved in the tourism industry through rural agro-tourism.

Homestay programmes provided opportunities for visitors to discover more of local agro-tourism practices and cultural activities. The purpose of this incentive is to assist tourism entrepreneurs who wish to develop or expand projects which contribute to tourism industry development (MOTAC, 2014). The following Table 1.1 shows statistics of homestay in Malaysia. It can be concluded that until May 2016, 187 homestay clusters were registered under MOTAC, involving about 3,878 operators offering 5,445 rooms for visitors (MOTAC, 2017). Based on the statistics, Kelantan has eight (8) clustered homestays, 152 operators and 182 rooms, which adhered to prevailing rules and conditions set by MOTAC (MOTAC, 2017).

Table 1. 1: Statistic of Homestay in Malaysia

No.	State	No. of Homestay	No. of Villages	No. of Operators	No. of Rooms
1	Perlis	3	3	56	64
2	Kedah	16	22	345	442
3	Pulau Pinang	11	28	234	264
4	Perak	11	41	305	409
5	Selangor	15	34	443	709
6	Melaka	9	9	137	217
7	Negeri Sembilan	13	33	288	435
8	Johor	22	46	468	615
9	Kelantan	8	9	152	182
10	Terengganu	10	10	185	187
11	Pahang	16	21	323	450
12	Sarawak	38	44	547	806
13	Sabah	24	43	316	568
14	Labuan	3	3	79	97
	Total	199	346	3,878	5,445

Source: MOTAC, 2017

The total income of homestay operators in Malaysia also recorded a notable increase of 18.2%, yielding RM 28.39 million in 2015 compared from the previous years. Table 1.2 shows that international tourist arrivals have increased from 2010 to 2012, but slightly decreased from 2012 to 2013 and 2015 to 2016. The aspirations of the MOTAC that this programme should contribute towards the development and promotion of rural agro-tourism. In 2014, a total of 71,034 international tourists participated in this program. The number of international tourists then increased to 71,830 people in 2015. The number of international tourist arrivals to the homestay decreased slightly in 2016 to 57,718. Although the number of international tourist arrivals decreased from 2015 to 2016, the total amount of homestay tourists has improved year by year.

Table 1. 2: Homestay visitors by tourist origins

Year	Domestic	%	International	%	Total	%	Total Income of Homestay (RM)
2010	147,346	75	49,126	25	196,472	100	12,407,227.90
2011	195,324	77	59,657	23	254,981	100	15,736,277.60
2012	259,423	80	65,835	20	325,258	100	18,545,656.60
2013	288,107	82	62,847	18	350,954	100	21,570,949.20
2014	296,439	81	71,034	19	367,473	100	23,229,550.50
2015	319,395	82	71,830	18	391,225	100	28,392,933.50
2016	353,344	86	57,718	14	410,522	100	27,714,894.10

Source: MOTAC, 2017

Homestay programme can thus catalyse to improve the socio-economic status of local communities through tourism. Nevertheless, its success or failure depends mostly on agreement and cooperation between villagers and the respective agencies involved (Ibrahim & Ahmad, 2008). Many homestay programmes failed because of the

unattractive destinations and support facilities, including infrastructure, were inadequate (Lussetyowati, 2015; Ismail, Masron & Ahmad, 2014; Huibin, Marzuki & Razak, 2013). Thus, this proposed research focuses on the relevant improvements to the existing homestays. By improving homestays' infrastructures for tourists, more arrivals and more income generated from these activities can be obtained.

1.3 PROBLEM STATEMENT

1.3.1 Unstable agriculture sector resulted in unstable income to the homestays

The agriculture sector is vital for being the backbone of the economy and development in rural areas. Agriculture is the predominant land use in rural areas around the world and a significant element of rural viability. However, there have been significant changes in the characteristics of the agricultural sector, both domestically in Malaysia and globally in other countries, which now require distinct development policies and strategies (Shamsudin, 2017). Shamsudin (2017) also said that changes include, but are not limited to, trade liberalisation and globalisation, urbanisation, technological developments, changing consumer taste and behaviour, environmental consideration, climate change and shifting market power specifically to major players in processing, distribution and retail. Rural agro-tourism will become a driving force to sustain the economies of rural area.

Apart from that, the agriculture sector is unstable in terms of income to the owner due to the unstable price of agriculture commodities (Ali, Ali, Fatah & Ariff, 2010). Demeke and Balie (2016) stated that on the demand side, rising and declining incomes and population growth, energy prices and manufacturing of biofuels may lead to sudden price changes. Whereas on the supply side, overinvestment and underinvestment in

agricultural manufacturing could result in output and price fluctuations. Unstable prices prevent owners from investing adequately in inputs, accessing credits and speeding up supply responses (Poulton, Kydd, Wiggins & Dorward, 2006; Timmer, 1989).

Other factors that affect the income of the owner are labour shortage, the lack of market demand and traditional farming method. In neighbouring countries, the cost of production of agricultural products was cheaper, affecting international demand for local agricultural products. Malaysia's agricultural productivity was significantly lower than neighbouring countries in areas such as rice farming, seaweed farming and fruit farming (Malaysia Agro entrepreneurial Club for University Students, 2014). The traditional farming method results in lowered productivity and quality of local agricultural products (Izad, 2012).

Support is still needed for the technical (e.g. technologies) and administrative (e.g. management) capacities of the people working in this sector. The agro-tourism sector's success can only be realised if there is strong support from local communities and agencies. Local community participation and involvement are essential in ensuring a program's success and in obtaining returns from the investment. Since local communities have benefited from sustainable development caused by comparable types of nature travel, only farm-based tourism can accommodate the agro-tourism industry (Colton & Bissix, 2005). Agro-tourism is, therefore, one of the initiatives to develop activities related to agriculture to another level.

1.3.2 Homestays lack adequate provision of infrastructure

Former Deputy Minister of MOTAC (2013) stated that some of the reasons for the low number of international tourists choosing homestays as their accommodation to stay

during holiday or vacation were because of lack of basic infrastructure and utilities (e.g. electricity and clean water). Infrastructure plays a vital role in the development of rural agro-tourism. Tourism infrastructure comprises hard infrastructure (e.g. facilities and amenities) and soft infrastructure (e.g. human resource skills).

The most significant barriers to the growth of rural agro-tourism are inadequate infrastructures, limited public facilities and imperfect human resource skills. Among the tourism infrastructure that needs to be highlighted are infrastructures such as roads, community halls, water and human resources development. Details definition and section of tourism infrastructure is discussed in Chapter 2: Literature Review. Hassan (2006) also supported this statement, which indicated that insufficient rural infrastructure is a major problem in promoting rural tourism. Kunjuraman and Hussin (2016) contended that homestays located in remote geographical areas also contributed to the lack of basic infrastructure and has always had an impact on the tourism effort of homestay owners.

In addition to that, Ibrahim (2007) also agreed that rural communities in developing countries such as Malaysia still faced many infrastructure development difficulties. It will be displeasing if infrastructure such as transportation, rooms and toilet fails to meet the tourists' demands. In 2017, 1,672 tourists had come to stay at homestays in Kelantan. Compared to Selangor, the number was much lower, which churned out a total tourist of 44,971 although there were fewer homestay owners there. Furthermore, the lack of infrastructure is a challenge affecting the community's active involvement in the development of tourism (Tosun, 2000). Development of infrastructure will be a catalyst for the development of rural tourism in these areas. It