

# The Comparison of Perceptions of the Economic Impact of COVID-19 and the 2015 Ranau Earthquake among Homestay Entrepreneurs in Kundasang, Sabah

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## Abstract

The COVID-19 pandemic, which has been affecting Malaysia since January 2020, has had a substantial impact on the country's tourism industry. The pandemic compelled Malaysia's government to enact the Movement Control Order (MCO) in March 2020 in order to halt the spread of the virus. The MCO is still being implemented with a sequence of MCO 1.0, MCO 2.0, and MCO 3.0. The MCO has a significant impact on Sabah, particularly on the tourism industry, which is the state's primary source of revenue. The Kundasang district in Sabah has also faced several economic issues, particularly among homestay entrepreneurs. Not only COVID-19 in 2020 but also the earthquake disaster that occurred in June 2015, had a significant impact on the operations and profits of these homestay entrepreneurs. The purpose of this study is to examine descriptively the perspective of the economic consequences of the COVID-19 pandemic and the Ranau 2015 earthquake catastrophe among homestay entrepreneurs in Sabah, particularly in Kundasang Sabah. Homestay is one of the tourism activities in Kundasang that makes extensive use of Community-Based Tourism (CBT). A structured questionnaire was distributed to homestay entrepreneurs in Kundasang, Sabah, as part of the research process. Kundasang, which is well-known in Sabah, provides highland landscape tourism, which has resulted in numerous homestay businesses that generate income for the locals. According to the findings of this study, the influence of COVID-19 and the Ranau 2015 earthquake catastrophe had a similar effect in terms of income on homestay entrepreneurs in Kundasang Sabah.

**Keywords:** Homestay, Kundasang, COVID-19, Earthquake, Economic Impact

## Introduction

The term "homestay" is not a new one in the tourism industry in Malaysia. Homestay is one of the Malaysian government's efforts to achieve the country's economic growth goals by developing rural areas, which requires community participation to succeed (Ahmad et al.,

2011). Homestays were advocated for rural populations in order to get them involved as rural entrepreneurs in the country's tourist sector.

Homestays in Sabah contribute significantly to the growth of the local economy and the increase in income of small business owners. According to Utusan Borneo Online (2019), a total of 29 Sabah homestays registered with the Homestay Association earned RM7,174,722 in 2018, a significant increase over the RM3.7 million and RM4.4 million earned in 2017 and 2016.

Homestay tourism, agrotourism, and community tourism have all made important contributions to the local economy and people in Kundasang, Sabah. Entrepreneurs who have benefited from the homestay programme have transformed it into one of the most significant economic activities in rural development (Rasid et al., 2014). Apart from Mount Kinabalu, one of the tourist attractions in Kundasang is the distinctive design of its homestay, which has a range of extremely fascinating characteristics. In Kundasang Sabah in March 2021, there are more than 70 homestay enterprises listed in [www.xploresabah.com](http://www.xploresabah.com) (Kuladuts, 2021).

Homestay and community-based tourism (CBT) initiatives in Kundasang Sabah are two economic activities impacted by the pandemic. Homestay programmes that formerly provided a variety of advantages by contributing to the local community's economy by producing additional revenue for homes were also impacted. The execution of the Movement Control Order (MCO) has worsened the local community's economy. 80 percent of homestay businesses did not receive direct reservations until April 2020, According to Rosli (2020) of [bharian.com](http://bharian.com), homestay businesses got regular reservations before the announcement of MCO. As a result, the economy of Kundasang's small homestay business community is adversely affected.

Prior to the COVID-19 pandemic, Kundasang which is under Ranau district also experienced an earthquake tragedy with a magnitude of 6.0 on the Richter scale centered at 6.1 north, 116.6 east, about 16 kilometers southwest of Ranau occurred at 7.15 am in 2015 (B.Harian, 5 Jun 2015). The quake has also caused extensive damage to business premises and property as well as fatalities. Because of the incident, the homestay business in Kundasang has come to a standstill as guests are concerned about their safety. Although the effect in terms of time is not as severe as COVID-19, there is a substantial economic impact seen by homestay businesses in Kundasang. The primary goal of this research is to examine the economic effect of COVID-19 through the eyes of homestay businesses in Kundasang, Sabah. This study examines income changes prior to and during the COVID-19 pandemic, as well as entrepreneurs' assessments of the consequences for COVID-19 and the 2015 earthquake disaster.

### **Literature Review**

Currently, the demand for Homestay as a product of rural entrepreneurs in Malaysia is showing significant growth. Homestays are a combination of leisure and accommodation that is concentrated in the neighborhood and the price is relatively lower (Foo et al., 2020). According to Hamzah (2008), the definition of homestay according to the Ministry of Culture, Arts and Tourism (MOCAT, 1995) is a situation where tourists stay with the family of homestay entrepreneurs and learn the way of life and local cultural characteristics directly or indirectly.

Homestays offer a different experience to visitors compared to other types of accommodation. In Malaysia, the implementation of homestay programs can encourage the experience and lifestyle of rural cultural heritage to tourists and visitors of a tourist location. Homestays give tourists the opportunity to learn and experience the life of the villagers. Tourists can do daily activities such as cooking, gardening, enjoy the atmosphere and scenery and discover the rural heritage and traditions of the locals (Shahudin, 2017). Homestay locations are usually located near tourist attractions to help tourists do other tourist activities in addition to making daily routines with the locals (Ibrahim & Rashid, 2010). In fact, these homestay programs will also provide business and employment opportunities to locals through the "Malaysian Rural Homestay Program". Therefore, homestay can be seen as a community project to create unity among rural entrepreneurs and at the same time, to promote the well-being of the rural population in Malaysia (Shahudin, 2017).

Homestays benefit the local economy by generating additional household income through the use of available natural resources. Homestay is one of the strategies introduced by the Malaysian government to improve the living standards of rural areas in Malaysia. This initiative provides an opportunity for local communities to be directly involved in the tourism industry (Salleh et al., 2014).

The COVID-19 pandemic was first detected in Johor Malaysia on 25 January 2020. This pandemic has caused the Malaysian government to implement the Movement Control Order (MCO) for two weeks starting on 18 March 2020 (Shah et al., 2020). During the MCO, all non-basic economic, business and service activities were closed. The current COVID-19 situation which is often volatile and endless has caused a series of MCOs to be witnessed in Malaysia. This implemented MCO continues until now with a series of MCO 1.0, MCO 2.0 and MCO 3.0 to continue to fight COVID-19 in Malaysia.

This MCO has a huge impact on most sectors in Malaysia. The services industry especially the tourism sector is among the most affected sectors (Shah et al., 2020). The COVID-19 pandemic has had a major impact on the tourism industry due to subsequent travel restrictions and declining demand among domestic and foreign tourists.

The Ministry of Tourism, Arts and Culture (June 2020), estimates that the losses incurred by the country's tourism and culture industry will be RM45 billion in the first six months of 2020 due to the COVID-19 pandemic. Ponnusamy (2020) described the COVID-19 pandemic as the greatest challenge to Malaysia's tourism performance and expected tourist arrivals in 2020 to experience a deficit growth of up to 65 percent.

The COVID-19 epidemic has plagued and impacted the homestay business in Kundasang, which has been the focus of tourism, according to Suhaimin (2021) in Utusan.com June 2021. If the MCO continues to re-enforce, Kundasang Homestay owners' income would return to zero because tourist operations are not permitted. This demonstrates that the COVID-19 epidemic has had an economic impact on homestay enterprises in Kundasang Sabah.

Aside from the COVID-19 epidemic, the Ranau 2015 earthquake disaster also had an economic impact on homestay enterprises. According to Tongkul (2016), the 2015 earthquake destroyed 1500 hectares of agricultural and private land, as well as caused severe property

damage. The Ranau 2015 earthquake, according to qualitative research, is more of a resource element, with substantial sensitivity, encompassing tourism products, business measurement, development, and natural disaster management, as opposed to the power factor (social capital) (Matusin et al., 2020). This indicates that there are components of loss in the assessment of businesses such as homestays, income and growing expenses. The following components of exposure were encountered by Ranau tourist businesses as a result of the 2015 Ranau earthquake: business size, tourism products, and operational hours (Matusin et al., 2020).

### **Data and Research Methods**

This study aims to look descriptively at the impact of the COVID-19 pandemic on homestay entrepreneurs around Kundasang Sabah from an economic aspect. This study uses a quantitative method with purposive sampling that is using a structured questionnaire to be submitted to Homestay entrepreneurs in Kundasang Sabah. The method of data collection is by face-to-face interviews and telephone interviews with homestay entrepreneurs in Kundasang. This preliminary data collection was conducted from September 2020 to November 2020. The questionnaire has three (3) parts namely part A for the profile of the respondents and part B is for the economic impact due to COVID-19 on the homestay enterprises of the respondents. Among the economic effects included in the part B questionnaire were in terms of costs and profits before and after the COVID-19 situation. Meanwhile, part C is a question on respondents' perceptions in comparison of their income with the 2015 earthquake tragedy.

There are more than 70 homestays in Kundasang Sabah listed in [www.xploresabah.com](http://www.xploresabah.com) (Kuladuts, 2021) during this survey. However, during this survey, there are constraints to getting a sample because some of these Homestays are still not fully operational due to the current situation, renovation, and other factors. Through a questionnaire, this study managed to get a response from 38 respondents of Homestay entrepreneurs in Kundasang Sabah. All respondents interviewed were also involved in the 2015 earthquake tragedy.

### **Results and Discussions**

In terms of the profile or demographics of the respondents, Table 1.1 shows that a total of 38 respondents were involved in this study where they are comprised Homestay entrepreneurs in Kundasang Sabah. The response rate of this study was 54.3% of the 70 target entrepreneurs of the selected sample.

Table 1.1 Respondent's Profile

Profile	Number (person)	Percentage (%)
<b>Age</b>		
21 – 30 years old	5	13.2
31 – 40 years old	11	28.9
41 – 50 years old	17	44.7
51 years above	5	13.2
<b>Gender</b>		
Male	17	44.7
Female	21	55.3
<b>Ethnicity</b>		
Dusun	29	76.3
Chinese	5	13.2
Others	4	10.5
<b>Total</b>	<b>38</b>	<b>100%</b>

From Table 1.1 above, a total of 13.2 percent of respondents are aged between 21 to 30 years and the majority of respondents are aged between 41 to 50 years. There are also respondents aged 51 years and above which is 13.2 percent of which some of them are government retirees. The majority of respondents are female (55.3 percent) and the respondents are mostly from Dusun, which is 76.3 percent. This is something that has been expected because the Kundasang area of Sabah is a Dusun resident of Sabah.

Table 1.2 Gross Income/Profit before COVID-19

Monthly Income	Number	Percentage (%)
Below RM4000	2	5.3
RM4001 - RM6000	5	13.2
RM6001 - RM8000	6	15.8
RM8001 - RM10000	10	26.3
RM10001 - RM12000	8	21.1
RM12001 - RM14000	5	13.2
RM14001 and above	2	5.3
<b>Total</b>	<b>38</b>	<b>100</b>

Table 1.2 shows the gross income of entrepreneurs before the COVID-19 pandemic hit. Most of these homestay entrepreneurs had a gross monthly income of between RM8,001 to RM10,000 before the COVID-19 Pandemic and the enforcement of MCO in March 2021. This shows that in Kundasang Sabah, the homestay industry can catalyze the economy of entrepreneurs and local residents. There are also entrepreneurs who can achieve a total monthly income of up to RM10,001 to RM14,001 and above where this reflects the demand for homestay industry in Kundasang is very high in line with progress in the tourism industry in Sabah before the COVID-19 pandemic.

Table 1.3 Loss of Income and Gross Profit During COVID-19

Percentage of Income Loss (%)	Number	Percentage (%)
100 percent	26	68.4
98-99 percent	8	21.1
96-97 percent	2	5.3
95 percent and less	2	5.3
<b>Total</b>	<b>38</b>	<b>100</b>

When businesses or respondents were asked to estimate the percentage of loss or loss of income as a result of COVID-19 during MCO 1.0, as shown in Table 1.3, the majority of respondents agreed that they had really lost their income. A total of 68.4 percent of respondents claimed that their homestays had cost them their entire source of income. Meanwhile, the others believe that MCO would cost them 95 to 99 percent of their income. This is due to the fact that some of them continue to rely on revenue from supplementary economic activities such as agriculture and other employment.

Table 1.4 Main Cost of Homestay incurred during COVID-19

The main cost incurred	Number	Percentage (%)
Workers' salary	12	31.6
Loan payment	12	31.6
Repair and maintenance	9	23.7
Utility billing	5	13.2
<b>Total</b>	<b>38</b>	<b>100</b>

Table 1.4 displays the major categories of expenditures that respondents still encountered during COVID-19. A total of 31.6 percent of respondents said that the expense of paying employees' wages continued to run even if they were not functioning since these costs were affecting the wellbeing of the employees who were still working for them during COVID-19. Another 31.6 percent believed that even if they had no income, they would have to return the monthly installments on the debts they had taken out. Despite the government's moratorium system, there are entrepreneurs who do not make loans in banks, but rather with other organisations and private persons. Other respondents said that even if they did not function, they still had to pay for repairs and maintenance, as well as utility expenses.

Table 1.5 Current Side Income COVID-19

Main Side-income	Number	Percentage(%)
Assistance from adult children and family	10	26.3
Government's subsidy	8	21.1
Crops and livestock	14	36.8
Other jobs	6	15.8
<b>Total</b>	<b>38</b>	<b>100</b>

Table 1.5 depicts the respondents' supplementary income during the pandemic in order to continue living and cover the expenditures incurred as a result of the homestay not being operational. Several respondents acknowledged having a second source of income or relying on aid during the COVID-19 outbreak. 36.8 percent of those polled own crops and cattle. 47.4

percent had to rely on child or family aid, and some got government subsidies provided under COVID-19 as part of the People's Protection and Economic Rehabilitation Package (PEMULIH). Others work part-time in transportation-related jobs and online businesses.

Table 1.6 Layoff of workers during COVID-19

Is there any layoffs of workers during the MCO Phase 1	Number	Percentage(%)
Yes	21	55.3
No	17	44.7
<b>Total</b>	<b>38</b>	<b>100</b>

COVID-19 has also had an economic impact on homestay entrepreneurs in Kundasang Sabah, with some having to lay off staff because they cannot pay the expense. A total of 55.3 percent of respondents reported that they had to lay off staff either permanently or for a period of MCO. However, 44.7 percent of homestay owners do not lay off staff since most of their employees are their children or close relatives.

Table 1.7 Planning to remain in the Homestay Industry after MCO

Major plans after MCO	Number	Percentage (%)
Increase online Promotion	16	42.1
Offer discounts	5	13.2
Homestay repair	9	23.7
Introduce new package	3	7.9
Apply loans/ Subsidy	5	13.2
<b>Total</b>	<b>38</b>	<b>100</b>

Table 1.7 shows the Kundasang homestay entrepreneur's plans for when they are permitted

Consequences	Frequency	Percentage
<b>Does COVID-19 have the same effect as the 2015 Ranau Earthquake?</b>		
<b>Loss of Income</b>		
Yes, same	38	100%
Not sure	0	0
Not the same	0	0
<b>Increase in cost</b>		
Yes, same	7	18.4
Not sure	2	5.3
Not the same	29	76.3
<b>Retrenchment of workers</b>		
Yes, same	5	13.2
Not sure	2	5.2
Not the same	31	81.6
<b>Receipt of government assistance</b>		
Yes, same	8	21.1
Not sure	15	39.5
Not the same	15	39.5
<b>Recovery Period</b>		
Yes, same	0	0.0
Not sure	3	7.9
Not the same	35	92.1
<b>Total</b>	<b>38</b>	<b>100</b>

to operate following MCO. The majority of respondents (42.1 percent) stated that they would increase online promotions for their homestays. 23.7 percent of respondents plan to make repairs to their homestay before they are fully operational. The remaining respondents anticipated that they would provide discounts to stimulate domestic or local tourism, create new tourist packages, arrange loans and ask for subsidies to restore their homestays after the MCO.

Table 1.8 Comparison of the economic impact of COVID-19 and the 2015 Ranau Earthquake  
Table 1.8 is about the perceptions of entrepreneurs who were also involved in the Ranau 2015 earthquake tragedy and compares its effects with COVID-19. Overall, according to respondents' perceptions, in terms of income loss, all respondents agreed that they experienced the same or almost the same income loss during COVID-19 and the 2015 earthquake events. This is due to the fact that each of these occurrences compelled them to halt their homestay activities. In terms of cost rise, the majority of respondents (76.3 percent) believed that earthquake events were more likely to raise costs owing to property damage and loss. Meanwhile, the majority of respondents (81.6 percent) said that the effect of having to lay off staff was not the same. Only during COVID-19, according to 81.6 percent of these respondents, did they have to lay off staff, either temporarily or permanently, due to uncertainty factors and the protracted recovery time of COVID-19. A total of 47.4 percent of respondents also considered that the aid received, such as financial, was not the same, and a



total of 39.5 percent were unsure. The majority of respondents claimed that the effect of recovery time for their homestay business was not the same, and that COVID-19 required more time to recover.

### **Conclusion**

COVID-19 as a whole has an influence on the country's economic operations, particularly in the case of homestay businesses in Kundasang. Natural catastrophes, such as the Ranau 2015 earthquake, will have an impact on the homestay business, particularly in terms of income. Homestay is one of the activities of the tourism sector in Kundasang that uses a lot of Community Based Tourism (CBT). Not only the contribution of this industry in terms of CBT but Kundasang is also very famous as a provider of highland scenery tourism. This sector has generated numerous homestay entrepreneurs that provide income for living to the community. However, the findings of this study revealed that COVID-19 has a substantial negative economic impact on homestay businesses in Kundasang Sabah. Operators of Kundasang's homestays had to endure the financial burden of production expenditures such as labour wages and permanent repair or building loans, which had a negative influence on their income. In a situation that is more similar to the economic impact of the Ranau 2015 earthquake, during the COVID-19 and MCO events, the government is promoting local tourism, including homestay businesses in Kundasang Sabah, by imposing loan moratoriums, providing salary subsidies, and other forms of assistance. During COVID-19, homestays are also a goal for the country's tourism industry to ensure long-term economic growth for this service sector.

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