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## Leveraging Upscale Homestays for Sustainable Tourism and Local Community Livings in Sikkim – India

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### ABSTRACT

Homestays foster environmental sustainability by promoting responsible tourism, reducing travel's ecological impact, and supporting local economies by utilizing existing infrastructure, encouraging sustainable consumption, and providing unique cultural experiences. To this end spreading tourism from crowded areas to less-frequented destinations serve the twin objective of eco-friendly tourism and a direct source of income for local communities for ecologically fragile destination like Sikkim. Recent data reveals that homestays account for 51.36 percent of total accommodations, indicating a shift towards homestays as part of a sustainable tourism strategy. However, findings show that homestay owners face economic challenges in maintaining their businesses. For instance, in Gangtok, the hotel boarder capacity density (BCD) reaches 18.9 per square kilometer, raising concerns about the destination's environmental fragility. However, the strategy of directing tourists to overcrowded urban centers to rural homestays has not achieved its goals, as most budget-conscious visitors are reluctant to explore off-beat sites. The study suggests attracting high-end tourists to homestays by offering modern amenities and homelike atmosphere as per norms, which may lead to the emergence of special interest homestays.

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## 1. Introduction

Homestays in India have a direct impact of 2577.4 crore in the Indian economy, contributing to a gross value added of 879.5 crore in 2018. They can serve as a potential driver of the local economy, offering alternative accommodation options and promoting rural tourism (IAMAI, 2018; Chatterjee et al., 2024). According to Adhikari (2023), homestays contribute considerably to GDP and have become a major industry in certain destinations. Indian homestays, priced from 300 to 38,000 INR per night, significantly contributed to the economic growth of the destinations (Thakur et al., 2024).

Homestays have become a popular concept in the expanding tourism industry and serve as an ideal alternative to promote sustainable tourism initiatives in the Eastern Himalayan Region, covering Indian state of Sikkim. It encompasses private accommodation where guests stay with a host family in a residential area, offering a relaxed atmosphere and the chance to experience local culture and lifestyle. Homestays are an affordable, authentic alternative to traditional hotels, providing a sense of community and immersion (Kulshrestha, 2019). According to the Thakur et al., (2023), Himachal Pradesh had the highest number of homestays (968), while Tripura had the least number of homestays (3), compared to all other states and union territories. The homestays in Jammu and Kashmir received the highest ratings.

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Sikkim, an Eastern Himalayan State in Indian origin, has been blessed with picturesque sites, natural beauties, flora and fauna, mountain trails, passes, jhoras (rivers), waterfalls, hot springs, and so on dotted the state's 7096 square kilometer area. Sikkim's elevation ranges from 280 meters (920 ft) to 8,585 meters (28,000 ft), with its terrain being primarily mountainous. The highest point is Khangchendzonga, reaching 8,586 meters. These altitude variations create distinct climatic zones, including tropical, temperate, and alpine regions (FEWMD, 2003). The tourism industry in Sikkim has become a significant source of revenue and economic surpluses for the locals.

Since 2017, Sikkim has experienced a remarkable increase in tourism, attracting over one million visitors each year, predominantly budget-conscious travelers. Tourists primarily flock to a few popular destinations, including Gangtok, Tsomgo Lake, Nathu-la Border, Lachung, Yumthang, Pelling, Ravangla, Namchi, and Yuksom. This heavy concentration of visitors has resulted in significant congestion in these urban areas (Dam, 2020), raising concerns about sustainability in this ecologically fragile region. Sikkim's ecological fragility is a concern due to its unique geographical features, climate change vulnerability, and development projects. High seismic activity, steep terrain, heavy rainfall, rising temperatures, and glacier melt contribute to landslides, floods, and other environmental disasters. Human activities like road construction and hydropower projects exacerbate these issues. The influx of tourists in select sites further threatens the state's ecological balance. Recognizing the need for sustainable practices, tourism establishments in Sikkim are promoting the development of satellite areas, encouraging homestays in rural settings, and advocating for the use of organic fertilizers to reduce carbon emissions. However, the focus on demand-driven tourism often overshadows these ecological concerns in this mountainous region.

To tackle these challenges, it is crucial to develop new tourist destinations and diversify tourism offerings while emphasizing sustainability within the industry. The increasing popularity of homestays in rural areas that already have the necessary infrastructure presents an opportunity to promote sustainable tourism. By following established guidelines for guests, homestays can significantly reshape Sikkim's tourism landscape. This approach will not only help alleviate congestion in urban centers but also foster responsible and sustainable growth in the sector. This study examines the role of homestays in enhancing the economic well-being of rural communities, reducing tourism congestion in heavily visited areas, and underscores the importance of promoting homestays in Sikkim as part of an eco-friendly initiative.

The main objectives of this study are i) to evaluate the economic contribution of homestays in Sikkim, ii) to examine overtourism and its effects on society, and iii) to offer recommendations for enhancing the promotion of homestays in the state.

We structure the remainder of the study as follows: Section 2 presents the literature review, followed by the methodology in Section 3. The discussion and conclusions are addressed in Sections 4 and 5. Finally, Section 6 explores the scope of future research related to this study.

## **2. Litterature Review**

### **2.1. Economic Contribution**

Homestays in mountain areas promote community-based tourism, economic empowerment, cultural preservation, and sustainable practices, supporting local businesses and minimizing environmental impact. Mountain homestays can have a positive impact on mountain communities and travelers by supporting community-based initiatives, creating job opportunities, and reducing out-migration. They promote responsible tourism and sustainable development, encouraging travelers from around the world to appreciate the significance of mountains and to become responsible stewards of the earth (FAO, 2020). Homestays play a significant role in local economic development by creating income opportunities, stimulating tourism, and supporting local businesses. They promote infrastructure growth, skill development, and employment, enhancing the local economy and helping alleviate poverty (Woli, 2022). Additionally, homestays generate revenue that supports local businesses and creates job opportunities, fostering economic growth within the community (Bhat et al., 2024). These accommodations are becoming increasingly popular among public and commercial stakeholders due to their potential to boost the regional economy (Dahal et al., 2020). Homestays are essential for sustaining rural tourism by offering affordable, immersive, and culturally rich experiences. They contribute to local economies, promote

cultural preservation, and provide sustainable tourism alternatives (Singh et al., 2024). Research by Basak et al. (2020) highlights a strong correlation between sustainable homestay tourism and tourist satisfaction, indicating a close link between economic sustainability and visitor enjoyment. However, none of these studies directly address the economic viability of homestay owners as an integral component of the accommodation sector in Sikkim. Based on these, the following hypothesis is arrived at:

**H1: Home stays owners are economically adequate to sustain accommodation industry.**

## **2.2. Social and Overtourism**

Sikkim's tourism strategy prioritizes social sustainability by balancing visitor needs with local communities' well-being, respecting cultural heritage, ensuring fair distribution of tourism benefits, minimizing negative impacts, and maximizing positive effects (Kaur & Gautam, 2024). The interactions within a community can be either positive or negative, depending on the mutual commitments and rules established by its members (Robina-Ramírez & Portillo, 2018). Reisinger (2009) emphasizes the frequent social interactions that occur between hosts and guests at a destination, especially when tourists purchase goods and services from their hosts. The quality of these interactions significantly influences visitors' experiences and impressions of the location, as well as the acceptance and tolerance of tourists by the local inhabitants (Goyal & Taneja, 2011). In this context, the ratio of residents to visitors (RV) plays a critical role in assessing social sustainability. The UNWTO emphasizes the significance of the RV ratio, particularly in relation to seasonal variations in tourism. This ratio compares the number of visitors, tourists, and same-day arrivals to the number of residents in tourist destinations during both normal and peak seasons (UNWTO 2007). The UNWTO further stresses the relevance of the RV ratio in relation to seasonality, taking into account peak and lean periods. This study applies the RV ratio to assess social sustainability in Sikkim for the first time. As a result, the following hypothesis is proposed:

**H2: The high ratio of locals to visitors threatens the sustainability prospects of this fragile destination.**

Tourism has boosted local economies but raises concerns about overtourism, which can cause environmental degradation, strain on resources, and disruptions to communities. Ecological threats to sensitive areas like Kanchenjunga National Park and high-altitude lakes, littering, deforestation, water scarcity, traffic congestion, and air pollution are highlighted. Overtourism also affects the sociocultural fabric of Sikkim's indigenous communities, as rising living costs and commodification of local traditions alter traditional lifestyles (Gachuiwo et al., 2025). Visitor dispersion is a recognized solution to overtourism and a strategy to distribute the benefits of tourism more widely (Gillbanks, 2022). Cucculelli and Gof (2016) describe a strong reluctance among tourists to protect the area's natural beauty. The influx of budget-conscious tourists has led to increased congestion in popular tourism sites (Pinke-sziva et al., 2019), to promote demand-centric tourism practices. Homestays can help disperse tourists from overcrowded places by providing alternative lodging in smaller, less tourist-intensive areas. This can alleviate demand on major tourist destinations, allowing visitors to experience more genuine and sustainable tourism (MoT, 2022). Tolkach and King (2015) argue that homestays can alleviate the negative consequences of tourism by promoting them outside of crowded regions and integrating guests into smaller, less marketed communities. In view of these, the following hypothesis is arrived at:

**H3: The dispersal of tourists to homestays from overcrowded areas fulfills its intended purpose.**

The present study examines the evolving role of homestays in Sikkim from a sustainability perspective.

## **3. Methodology**

### **3.1. Data Sources**

Based on secondary data, this study examines the status of homestays in Sikkim, their economic significance, and their role in dispersing tourists from crowded areas. The Sikkim Himalayan Home Stay Association (SHHSA) has initiated ecotourism in rural areas of the state, with support from UNESCO, the Norwegian government, and the Principality of Andorra. The Ecotourism &

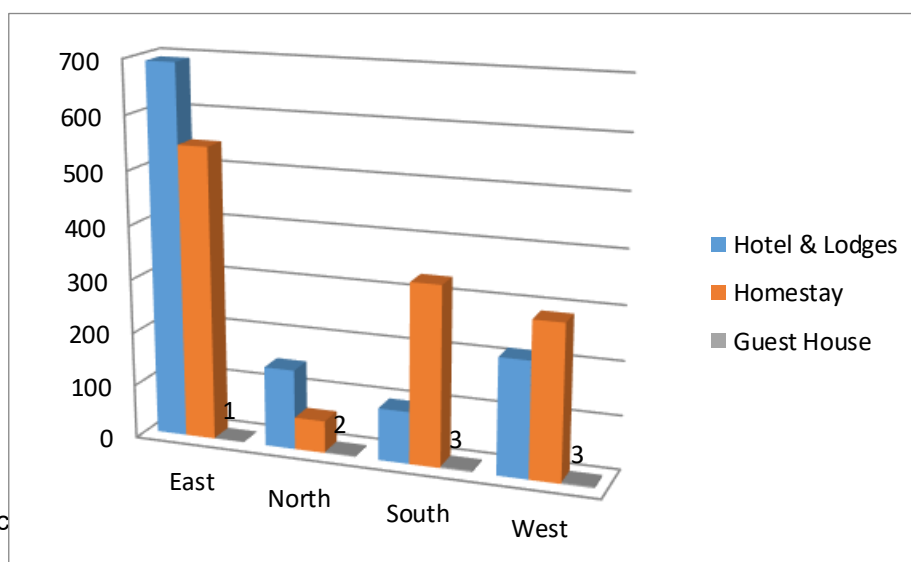
Conservation Society of Sikkim (ECOSS) has implemented this program in various regions while exploring new rural ecotourism hub development areas. The Sikkim Registration of Homestay Establishment Rules of 2013 have led to the construction of over 700 homestays across the state, promoting sustainable rural tourism and community-based ecotourism. Websites like HomestaysSikkim.com connect guests with hosts who offer unique experiences, including stays in traditional farmhouses and comfortable village cottages. The study also considers unregistered homestays throughout the state that cater to visitors traveling in Sikkim.

### 3.2. Methodological Framework

The study employed several indicators to assess tourism dynamics, including boarder capacity density (BCD), which evaluates accommodation capacity (AC) per square kilometer in a district. It also considered average earnings per homestay and the ratio of locals to tourists (RV). The RV serves as a measure of tourism intensity in destination areas, as defined by the UNWTO (2007). The RV is used to measure tourism intensity in destination areas, as defined by UNWTO (2007). Additionally, BCD and AC are based on concepts related to population density (Yee, 2024) and occupancy rates (Ramesh & Yoganand, 2019). Alberca and Parte (2020) utilized the Mann-Whitney test to assess the efficiency of various destinations. Meanwhile, Jangra et al. (2021) employed both ANOVA and the Mann-Whitney test to analyze congestion and the exploitation of tourist destinations. In line with these studies, this research uses ANOVA and the Mann-Whitney test to evaluate the hypotheses.

## 4. Results and Discussion

### 4.1. Results



**Figure.1.** Accommodation Status by Zone

The accommodation status indicates that homestays make up 51.36% of the total. This is followed by hotels and lodges at 48.26% and guest houses at 0.38%. A zone-wise analysis reveals that the eastern region holds 51.78% of the accommodation units. In comparison, the western region comprises 21.25%, the southern region accounts for 18.15%, and the northern region has 8.82%. Hotels and lodges have a larger share in the eastern and northern zones, whereas homestays are more prevalent in the southern and western zones of Sikkim.

**Table 1.** Status of Homestay in Sikkim

Zones	No of homestay	No of rooms	No of beds		No of employees	
			Single	Double	Local	Non-local
East	545	2032	134	2083	478	119
West	289	857	100	803	130	22
North	60	225	4	223	45	0
South	334	873	24	858	89	2
Total	1228	3987	262	3987	742	143

The East region accounts for 44.38% of all homestays, followed by the South at 27.2%, the West at 23.53%, and the North at 4.89%. In terms of the number of rooms, the East district's share has increased to 50.97%. The South (21.9%) and West (21.5%) are closely competing for second place, while the North has the fewest rooms at 5.64%. We observe similar trends in the number of double beds, but the pattern of single beds in homestays varies. The East district holds 54.25% of the double beds, with the South at 21.52% and the West at 20.14%. The employment ratio of locals to non-locals in homestays is 84:16. The East district has the highest number of local employees, primarily women, at 64.42%, outperforming the West (17.52%), South (11.1%), and North (6.07%) districts. The East district employs 83.22% of non-local employees, while the West accounts for 15.39%.

Homestays are crucial to Sikkim's tourism sector, promoting sustainable practices and livelihoods for local communities. The Homestay Association has significantly benefited the industry by fostering unity among operators, enabling them to enhance services and promote the state's tourism sector. This unity has been instrumental in enhancing the industry's success. Let us look at average earnings of homestays in Sikkim.

**Table 2.** Average Earnings of Homestays in Sikkim

District	No of homestay	No of rooms	Total capacity (TC)	Average Occupancy rate (ACR) (%)	Average daily rent (ADR) (INR)	Average earnings (TC x ACR x ADR) (000)
Gangtok	290	1275	2510	73	1500	2748.450
Pakyong	328	1437	2842	74	1500	3154.620
Gyalshing	126	591	1124	65	1500	1095.900
Soreng	131	551	1057	64	1500	1014.720
Namchi	238	1040	2055	71	1500	2188.575
Mangan	69	302	600	55	1500	495.000

**INR : Indian Rupees**

District-wise data on homestays indicates that Pakyong has the highest share, with 27.75% of the total homestays in the state. This is followed by Gangtok at 24.54%, Namchi at 20.14%, Soreng at 11.08%, Gyalshing at 10.66%, and Mangan at 5.84%. The number of rooms and total capacity corresponds to the number of homestays in each district, reflecting a similar trend. Pakyong accounts for 27.66% of the total number of rooms, followed by Gangtok at 24.54%, Namchi at 9.56%, and Soreng at 5.8%. Regarding boarding capacity, Pakyong again leads the list with 26.12%, with an average of 8.67 beds per homestay. Gangtok follows closely with a boarding capacity of 24.64% and a similar ratio among the six districts. While Mangan has the lowest overall capacity at 11.55%, its capacity ratio per homestay (8.7) is better than that of both Pakyong and Gangtok.

The occupancy rates across the six districts show a similar trend to the number of homestays. Pakyong boasts the highest occupancy rate at 74%, followed closely by Gangtok at 73% and Namchi at 71%. According to official estimates, all homestays in Sikkim charge an average daily rent of 1,500 INR per boarder, although this may vary depending on room quality. Additionally, average annual earnings differ based on bed capacity. Pakyong has the highest average annual earnings (3,154,620 INR), followed by Gangtok (2,748,450 INR) and Namchi (2,188,575 INR) in descending order.

**Table 3.** ANOVA Analysis

Source	DF	Sum of Square	Mean Square	Statistic
Groups (between groups)	5	17287837.26	3457567.452	F value: 9.5948
Error (within groups)	30	10810794.68	360359.8228	P value: 0.0000151
Total	35	28098631.94	802818.0556	

Since the p-value is less than  $\alpha$  ( $0.0000151 < 0.05$ ), we reject the null hypothesis ( $H_0$ ). The p-value equals 0.000015096, and the probability of observing a value less than or equal to F is  $p(x$

$\leq F$ ) = 0.999985]. This value indicates that the likelihood of making a Type I error (rejecting a true  $H_0$ ) is very small: 0.0000151 (0.0015%). The test statistic  $F$  is 9.594764, which falls outside the 95% acceptance region: [0 to 2.5336]. Therefore, it can be concluded that homestay owners are economically inadequate to sustain the accommodation business.

**Table 4.** Ratio of Local to Tourist

Year	DTAs (Nos)	FTAs (Nos)	Total tourist arrivals	Projected populations	Ratio of local to tourists Col. 5/ Col.4
(1)	(2)	(3)	(4)	(5)	(6)
2012	558538	26484	615024	617000	1.0032
2013	576749	31704	608448	624000	1.0256
2014	562418	49176	611592	631000	1.0317
2015	705023	38399	743422	637000	0.8569
2016	740763	66012	805775	644000	0.7992
2017	1375854	49111	1424965	650000	0.4562
2018	1426127	71172	1497299	657000	0.4388
2019	1421823	133388	1555221	664000	0.4269
2020	316408	19935	336343	670000	1.9920
2021	511489	11508	522997	677000	1.2945
2022	1625600	68600	1694200	683000	0.3477

@ Adapted from Ministry of Tourism (2023). Swadesh Darshan 2.0. Destination Master Plan, Strategy and Action Plan Model, Government of India, p-71.

The indicator shows that the state has hosted more visitors than Sikkim's population in the first three years, except for 2020-2021. The situation is particularly concerning in 2017, 2018, and 2019, where the state hosted more than twice the native population. In 2022, the pandemic's recovery led to a significant increase in visitors, accounting for 2.5 times the population.

**Table 5.** Mann-Whitney Test Result

Descriptive	Total tourist arrivals	Projected populations
Size	11	11
Average ( $\bar{x}$ ):	946844.1818	650363.6364
Standard Deviation ( $\sigma$ )	491010.4841	21891.8831
Median	743422	650000
Skewness	0.506752	-0.0152229
Normality	0.04988	0.9071
Z statistic		0.3217
P value		0.7477

The test statistic  $Z$  is within the 95% acceptability range,  $U$  (66) is within the 95% acceptable range, and the  $p$ -value is greater than  $\alpha$ , indicating that the hypothesis that a high local to visitor ratio threatens a fragile destination's sustainability is valid.

**Table 6.** Comparative Analysis of Hotels and Homestays

Zones	Districts	Geographic area (sq km)	Accommodation		Room capacity		Capacity density	
			Hotels	Homestay	Hotels	Homestay	Col.6/ Col.3	Col.7/ Col.3
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
East	Gangtok	954	599	290	17253	2510	18.9	2.63
	Pakyong	404	78	328	1094	2842	2.71	7.04
West	Gyalshing	1166	205	126	4321	1124	3.71	0.96

	Soreng	293	30	131	385	1057	1.31	3.61
South	Namchi	730	104	238	2002	2055	2.74	2.82
North	Mangan	4226	142	69	3165	600	0.75	0.14
Total		7096	1158	1182	29220	10188		

Table 6 presents a comparative analysis of hotels and homestays in Sikkim. The East Zone, which includes the districts of Gangtok and Pakyong, has the highest number of both hotels and homestays, as well as the greatest room capacity. Gangtok has the largest percentage of hotels, accounting for 51.73%, while Pakyong boasts the highest proportion of homestays at 27.75%. In the West Zone, Gyalshing holds the second highest number of hotels at 17.7%, whereas Soreng has 11.08% of the homestays. In the South, Namchi comprises 8.98% of hotels and 20.14% of homestays, while Mangan features 12.26% of hotels and 5.84% of homestays in the West.

In Gangtok, hotels can accommodate 59.05% of visitors, while homestays can host 24.64%. For Pakyong, hotels have a capacity of 3.74%, and homestays can accommodate 27.9%. Gyalshing's hotels can host 14.79% of boarders, with homestays accommodating 10.33%. In Soreng, hotels have a capacity of 1.31%, while homestays can host 10.38%. Hotels in Namchi can accommodate 6.85% of visitors, and homestays can accommodate 18.89%. Finally, in Mangan, hotels can host 10.83% of boarders compared to 5.52% for homestays.

Boarder Capacity Density (BCD) measures accommodation capacity relative to the area of a district in square kilometers. In Gangtok, the BCD for hotels is 18.9 per square kilometer, while it is 2.63 for homestays. In contrast, Pakyong has a BCD of 2.71 for hotels and 7.04 for homestays. Gyalshing exhibits a higher BCD for hotels at 3.71 compared to 0.96 for homestays. Conversely, Soreng has a higher BCD for homestays at 3.61, while its BCD for hotels is 1.31. Namchi shows comparable BCD figures for hotels (2.74) and homestays (2.82). In contrast, Mangan has the lowest BCD, with 0.75 for hotels and 0.14 for homestays, primarily due to its larger geographical area.

**Table 7.** Comparative Analysis of Hotels and Homestays

Source	DF	Sum of Square	Mean Square	Statistic
Groups (between groups)	6	104389910.5	17398318.41	F value: 2.8438
Error (within groups)	35	214130388.8	6118011.11	P value: 0.02314
Total	41	318520299.3	7768787.788	

Since the p-value is less than  $\alpha$  (specifically,  $0.0231414 < 0.05$ ), we reject hypothesis  $H_3$ . The p-value is 0.0231414, and  $[p(x \leq F) = 0.976859]$ . This indicates that the probability of a Type I error (rejecting a correct  $H_3$ ) is low at 0.02314 (2.31%). Consequently, the dispersal of tourists to homestays from congested locations did not achieve its intended purpose.

#### 4.2. Discussion

Homestays foster environmental sustainability by promoting responsible tourism, reducing travel's ecological impact, and supporting local economies by utilizing existing infrastructure, encouraging sustainable consumption, and providing unique cultural experiences. The study examines tourism concentration, the ecological implications of these factors, and the economic impact on homestay owners. The aim is to promote an eco-friendly strategy to distribute tourist traffic to lesser-known areas in this delicate destination. Figure 1 illustrates that the eastern region of Sikkim accounts for 51.78% of the total accommodation units, including 44.38% of homestays, which are intended to accommodate the increasing demand from visitors. Notably, 70% of all visitors tend to visit the eastern zone of Sikkim, including the state capital, Gangtok. This high visitor concentration has resulted in a large number of accommodation units in the area. In Gangtok, the hotel BCD is 18.9 per square kilometer, which is a concerning statistic given the destination's fragility. As a result,

these two zones have been divided into four districts: Gangtok, Pakyong, Gyalshing, and Soreng. This division, along with the significant growth of homestays in Pakyong and Soreng, demonstrates the initiatives taken by stakeholders to diversify tourism. However, Namchi still requires attention in terms of accommodation options.

Additionally, the influx of volumes of vehicles and tourists contributes to natural disasters such as floods and earthquakes, which pose a challenge to Sikkim's carbon-negative status. To address this issue, a restriction has been placed on outside vehicles to limit access to Deorali, located 4 km away from Gangtok city. This measure exemplifies the stakeholders' efforts to redirect traffic to satellite tourist locations. Promoting the dispersal of tourist traffic to homestays in rural areas is viewed as a beneficial aspect of this initiative. Further, the concentration of major administrative offices in Gangtok, the state capital, often leads to traffic congestion at critical points in the limited habitable areas of the district, which impacts the ecological sustainability of the region. Further, a high local to visitor ratio often threatens a fragile destination's sustainability. Test results indicate that dispersing tourists to homestays from crowded urban areas did not achieve the intended objective. The preference for demand-centric tourism, characterized by a high ratio of budget-conscious visitors seeking low-cost accommodations in prime tourist locations, emerges as a primary reason for this adversity. Drawing high-end tourists to homestays who prioritize responsible and eco-friendly practices is a viable option to consider.

Test results indicate that many homestay owners struggle economically to sustain their accommodation businesses. This issue becomes particularly pronounced during the off-peak season when occupancy rates are low, highlighting the urgent need for alternative sources of income. There are many homestays near butterfly and rhododendron trails, as well as other attractions. Policymakers have the option to develop specialized homestays that cater to niche segments of tourists, particularly during the lean months of June and July. In special interest tourism, destination managers target customers who are interested in beautiful views, often welcome home-like accommodations and warm people rather than fancy, overcrowded hotels, and who seek genuine beauty and nature (Kruja and Gjyrez, 2011).

## 5. Conclusion

Homestays play a crucial role in the spread of tourism activities beyond urban centers in Sikkim, supported by policy measures. They play a vital role in providing economic benefits to rural areas while following an eco-friendly approach to sustain the fragile destination. However, budget travelers often hesitate to visit the tranquil environments in rural settings. Promoting specialized interest homestays that focus on specific locations could significantly enhance their appeal and prospects.

## 6. Future Research

Seasonality and dependency ratio are crucial for promoting sustainable homestays. The occupancy rate is important and is critical to exploring alternative earning sources during the lean season. The option of integrating homestays with eco and community-based tourism is critical for the prospect of homestays in Sikkim. Future research should focus on exploring the uncharted areas related to the overall promotion of homestays within the destination.

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