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FACTORS AFFECTING HOMESTAY BUSINESS PERFORMANCE AND ITS CONTRIBUTION TO HOUSEHOLD INCOME

*Evidence from Selected Nature Conservation Areas and Well-Known Tourist Destinations
Associated with Ethnic Communities in PhuTho Province*

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ABSTRACT

Homestays linked to community-based tourism are becoming an increasingly important livelihood option for ethnic minority households living in the buffer zones of nature conservation areas in northern mountainous Vietnam, including PhuTho Province. This study examines the factors influencing homestay business performance and the extent to which homestay activities contribute to household income, using a linear regression framework and survey data from 150 homestay households. The results show that average monthly visitor volume is the strongest and most consistent determinant of both business performance and the share of household income generated by homestays, whereas greater dependence on the tourism season tends to reduce perceived business performance. The analysis also identifies multicollinearity between room capacity and visitor volume, suggesting that future studies should adopt a more comprehensive measure of business scale. Based on these findings, the paper proposes several policy implications for improving homestay performance and strengthening the sustainability of household livelihoods at selected tourism destinations associated with national parks in PhuTho Province.

KEYWORDS: Homestay; community-based tourism; household livelihoods; household income; PhuTho Province.

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1.0 INTRODUCTION

Community-based tourism (CBT), particularly through homestay models, has increasingly been regarded as an important alternative livelihood strategy for ethnic minority communities living in and around protected forests and national parks in Vietnam. Evidence from the project “Improving

the Livelihoods of Ethnic Minorities through Community-Based Tourism,” funded by Helvetas Swiss Intercooperation and implemented by the Center for Rural Economy Development (CRED) in Hoang Su Phi District, Ha Giang, shows that households operating homestays achieved more stable incomes after receiving technical assistance and training, and the model subsequently spread to other households in the community (CRED & Helvetas, 2018). Similarly, in Sa Pa and other communes of Lao Cai Province, homestay tourism has not only generated additional income but has also contributed to the revival of traditional handicrafts and created employment for hundreds of Hmong and Dao women (International Journal of Applied Research in Social Sciences, 2024).

Following the administrative merger involving Hoa Binh and Vinh Phuc, the expanded Phu Tho Province encompasses a number of nature conservation areas and renowned scenic destinations associated with Muong, Dao, and other ethnic minority communities. Representative destinations include Xuan Son National Park (Xuan Dai Commune, Phu Tho Province), Tam Dao National Park (formerly in Vinh Phuc), Cuc Phuong National Park (formerly in Ninh Binh), and Mai Chau Valley (formerly in Hoa Binh). These areas have long been home to Muong, Dao, and other ethnic groups of northwestern Vietnam and retain distinctive cultural values alongside diverse ecological landscapes. Xuan Son National Park, for example, is known as a cultural meeting point of the Muong and Dao peoples and features rich primary forest ecosystems, numerous caves and waterfalls, and mountain peaks exceeding 1,000 metres. This combination of ecological diversity and cultural identity provides a strong foundation for developing community-based and ecotourism products rooted in local traditions.

Under Vietnam’s national tourism development strategy, community-based tourism and ecotourism are identified as important tools for restructuring rural economies, raising incomes, and creating sustainable employment for local communities. Community-based tourism is viewed both as a means of preserving traditional culture and as an approach to poverty reduction in upland areas. Vietnam’s Tourism Development Strategy to 2030 likewise emphasizes “green and sustainable” tourism aligned with the global Sustainable Development Goals. Against this backdrop, the Phu Tho provincial authorities have promoted community-based tourism models linked to nature conservation. In Xuan Dai Commune, in the buffer zone of Xuan Son National Park, community tourism has expanded considerably, with dozens of ethnic minority households investing in traditional-style homestays capable of accommodating hundreds of visitors per night. New tourism products - including ethnic cultural experiences, forest excursions, and local cuisine - have also been developed, helping to increase local household income. More broadly, the province considers community livelihood development based on the responsible use of tourism resources a sustainable pathway for helping forest-dependent communities shift toward tourism services and more stable sources of income.

Nevertheless, homestay businesses do not perform equally well. Across many community-based tourism destinations in Vietnam, differences in investment scale, service skills, marketing capacity, and exposure to seasonality have created substantial performance gaps among households. Limited skills and resources can also make host–guest interactions more difficult (Journal of Tourism and Cultural Change, 2023). Existing studies on nature conservation areas and renowned tourist destinations associated with ethnic communities in Phu Tho Province remain largely qualitative or

policy-oriented. Quantitative evidence systematically assessing the determinants of homestay business performance and the contribution of homestay activities to household income is still limited. This study therefore aims to: (i) assess the current level of homestay business performance and its contribution to household income; (ii) identify the factors affecting these two outcomes; and (iii) propose policy implications for improving business performance and livelihood sustainability among homestay households in selected nature conservation areas and well-known tourist destinations associated with ethnic communities in PhuTho Province.

2.0 LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1. Related Studies

A growing body of research and practical reports in Vietnam has documented the contribution of homestays and community-based tourism to the livelihoods of ethnic minority households. In Ha Giang, pioneer households achieved more stable incomes after participating in technical assistance and training programs and subsequently became examples encouraging other households to enter the homestay business (CRED & Helvetas, 2018). This highlights the importance of training and skills support in addition to financial capital. In Lao Cai, homestay tourism linked to the revival of traditional handicrafts, particularly brocade weaving, has created direct employment for hundreds of local workers, especially Hmong and Dao women (International Journal of Applied Research in Social Sciences, 2024). This illustrates the potential spillover effects of homestay tourism on complementary livelihoods such as the production and sale of local products. In the Central Highlands, research on host–tourist interactions in ethnic tourism identifies limited service capacity, asymmetries in host–guest relationships, and cultural distance as common challenges facing community-based tourism households (Journal of Tourism and Cultural Change, 2023), suggesting that skills and organizational capacity may be just as important to business performance as capital and physical facilities.

For nature conservation areas and well-known tourist destinations associated with ethnic communities in PhuTho Province, the available literature consists mainly of development-oriented reports by public authorities. These documents emphasize the role of community-based ecotourism in livelihood transformation and in reducing dependence on forest-resource extraction (Rural Tourism Promotion Information Portal, 2024; VTV, 2024). However, quantitative research examining how household business characteristics - such as scale, years of operation, and service diversification - relate to business performance and household-level income contributions remains scarce.

2.2. Sustainable Livelihoods Framework

This study applies the Sustainable Livelihoods Framework proposed by the UK Department for International Development (DFID, 1999). Under this framework, household livelihoods are understood as the outcome of transforming five forms of capital - human, physical, financial, natural, and social - through livelihood strategies, including diversification into non-agricultural and service activities. These strategies are shaped by vulnerability contexts, such as seasonality and market fluctuations, as well as institutional and policy support. In the present setting, homestay operation is viewed as a livelihood strategy that transforms existing physical assets (e.g., traditional houses and land) and local cultural and social capital (e.g., customs, cuisine, and landscapes) into

household income. The effectiveness of this transformation depends on investment scale, access to tourism markets - as reflected in visitor volume - service and experience diversification, and support from local institutions.

Based on the literature review and the analytical framework, the study tests three hypotheses: (H1) business scale (number of rooms and visitor volume) positively affects business performance and the share of household income generated by homestays; (H2) greater diversification of services and visitor experiences positively affects business performance; and (H3) greater dependence on the tourism season negatively affects business performance and income stability.

3.0 RESEARCH METHODOLOGY

3.1. Questionnaire Design and Variables

The survey questionnaire contains 27 questions organized into five sections: (I) general information on the household business (ethnicity, gender, age, years in business, room capacity, visitor volume, and supplementary services); (II) homestay business performance (reasons for operating the business, retained income, contribution to household income, seasonality, and perceived performance); (III) the contribution of homestay activities to the household (additional employment, income stability, and areas of improvement); (IV) culture and tourism experiences (types of experiences offered, factors attracting visitors, and contributions to cultural preservation); and (V) constraints and development potential (challenges, channels for reaching visitors, support received, and development expectations).

The main quantitative variables are coded as follows. The first dependent variable is perceived business performance (Y1), measured on an ordinal scale from 1 (“Not effective”) to 5 (“Very effective”). The second dependent variable is the share of homestay income in total household income (Y2), measured on an ordinal scale from 1 (“Low, approximately one-quarter of household income”) to 4 (“Almost all household income”). Independent variables include the number of rooms/accommodation spaces, average monthly visitor volume, and years in business (all coded on ordinal scales from 1 to 4); the number of supplementary services and types of experiences offered (count variables based on multiple-response items); dependence on the tourism season (ordinal scale from 1 to 3); and the number of types of support received from government agencies or organizations (count variable). Two dummy control variables are also included: gender (female = 1) and Muong ethnicity (= 1).

3.2. Research Subjects, Scope, and Sample

The survey was conducted with household heads or household members primarily responsible for homestay operations in selected nature conservation areas and renowned tourist destinations associated with ethnic communities in PhuTho Province. The final dataset comprises 150 valid household observations used for the empirical analysis. The survey covers key demographic characteristics, homestay operating conditions, business performance, household income contribution, tourism services and experiences, seasonality, constraints, and support received from government agencies or organizations.

3.3. Analytical Methods

The data are analyzed using descriptive statistics (frequencies and percentages) to describe the sample and current business conditions. To test the research hypotheses, two ordinary least squares (OLS) models are estimated, with perceived homestay business performance (Y1) and the share of household income generated by homestay activities (Y2) as the dependent variables. Because both dependent variables are measured on ordinal scales, the OLS estimates are interpreted as baseline linear associations. Ordinal logistic or ordinal probit models may be employed as robustness checks. Variance inflation factors (VIFs) are also relevant for diagnosing multicollinearity among the explanatory variables.

4.0 RESEARCH RESULTS

4.1. Sample Characteristics

The final survey sample consists of 150 homestay households. Descriptive statistics for the main demographic and business characteristics are reported in Table 1.

Table 1. Sample Characteristics

Characteristic	Frequency (n)	Percentage (%)
Ethnicity - Muong	81	54
Ethnicity - Dao	50	33.3
Ethnicity - Kinh	13	8.7
Ethnicity - Other	6	4
Gender - Female	76	50.7
Gender - Male	73	48.7
Gender - Other	1	0.7
Age - 46–60	57	38
Age - 31–45	48	32
Age - 18–30	29	19.3
Age - Over 60	16	10.7
Years in business - 1–3 years	60	40
Years in business - 4–6 years	44	29.3
Years in business - Over 6 years	25	16.7
Years in business - Under 1 year	21	14
Rooms - 1–2	44	29.3
Rooms - 3–4	42	28
Rooms - Over 6	32	21.3

Characteristic	Frequency (n)	Percentage (%)
Rooms - 5–6	32	21.3

Source: Authors' calculations based on household survey data (n = 150).

The survey sample consists of 150 households. Muong households account for 54.0% of the sample and Dao households for 33.3%, while the gender distribution of household heads/respondents is nearly balanced. Respondents aged 46–60 form the largest age group (38.0%), reflecting the common profile of principal workers in rural mountainous households. In terms of business experience, 40.0% of households have operated their homestays for one to three years, suggesting that the model remains relatively new and is still expanding. Room capacity is fairly evenly distributed across categories, with no single group overwhelmingly dominant.

Table 2. Business Performance and Contribution to Household Income

Item	Responses (n)	Percentage (%)
Average	40	26.7
Very effective	33	22
Less effective	32	21.3
Effective	29	19.3
Not effective	16	10.7

Item	Responses (n)	Percentage (%)
Low (about ¼ of household income)	57	38
Moderate (about ½ of household income)	45	30
High (about ¾ of household income)	26	17.3
Almost all household income	22	14.7

Source: Authors' calculations based on household survey data (n = 150).

Regarding business outcomes, 26.7% of households rate their performance as “average,” while the combined share reporting “effective” or “very effective” performance reaches 41.3%, indicating a generally positive perception of homestay operations. In terms of contribution to household income, the largest group (38.0%) reports that homestay activities make a “low” contribution - approximately one-quarter of household income - suggesting that, for most households, homestays still supplement rather than replace traditional livelihood sources.

Table 3. Main Reasons For Operating a Homestay (multiple responses)

Item	Responses (n)	Percentage (%)
Earn additional income	84	56

Item	Responses (n)	Percentage (%)
Use existing house/facilities	60	40
Recognize Xuan Son's tourism potential	57	38
Demand from tourists	49	32.7
Use local resources and products	48	32
Promote local culture	45	30
Encouraged by relatives/friends	41	27.3

Source: Authors' calculations based on household survey data (n = 150).

Regarding the reasons for entering the homestay business (Table 3), "earning additional income" is the most frequently selected motivation (56.0%), followed by "making use of an existing house/facilities" (40.0%) and "recognizing the tourism potential of the area" (38.0%). These results suggest that economic considerations remain the dominant motivation for most households.

Table 4. Major Challenges In Homestay Operations (up to three responses)

Item	Responses (n)	Percentage (%)
Lack of investment capital	62	41.3
Inconvenient infrastructure/road access	50	33.3
Limited tourism business skills	40	26.7
High seasonality	36	24
Unstable visitor volume	27	18
Limited promotion/marketing skills	25	16.7
Competition among homestay households	22	14.7
Limited recreational/experiential activities for visitors	19	12.7

Source: Authors' calculations based on household survey data (n = 150).

Table 5. Support Received From Government Agencies/Organizations (multiple responses)

Item	Responses (n)	Percentage (%)
No support received	64	42.7
Tourism training/skills	46	30.7
Infrastructure improvement	45	30
Financial support	35	23.3
Promotional support	33	22
Links with tourism businesses	31	20.7

Item	Responses (n)	Percentage (%)
Policy/planning support	20	13.3

Source: Authors' calculations based on household survey data (n = 150).

4.2. Regression Results

As for business constraints (Table 4), “lack of investment capital” (41.3%) and “inconvenient infrastructure/road access” (33.3%) are the two most frequently cited barriers, followed by “limited tourism business skills” (26.7%) and “high seasonality” (24.0%). Regarding support (Table 5), a notable 42.7% of households report receiving no support from government agencies or organizations, while the most common form of assistance is “tourism training/skills development” (30.7%).

Table 6. Regression Results For Factors Affecting Homestay Business Performance (Y1)

Variable	Coefficient (β)	Standard Error (SE)	t-value	p-value
Constant	2.024	0.596	3.397	0.001***
Room capacity	-0.044	0.153	-0.284	0.777
Average monthly visitors	0.548	0.138	3.974	<0.001***
Years in business	0.123	0.135	0.912	0.363
Number of supplementary services	0.106	0.115	0.922	0.358
Number of experience types offered	-0.004	0.095	-0.045	0.964
Dependence on tourism season	-0.247	0.138	-1.785	0.077*
Number of support types received	0.074	0.118	0.629	0.531
Gender (Female = 1)	-0.007	0.192	-0.039	0.969
Muong ethnicity (= 1)	0.038	0.194	0.196	0.845

Sample size $n = 145$; $R^2 = 0.284$; Adjusted $R^2 = 0.236$.

Note: *** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$. Ordinal variables are coded as increasing integers by category; count variables (number of services, experiences, and support types) are the total number of options selected in the corresponding multiple-response questions.

Source: Authors' calculations based on household survey data; regression sample $n = 145$.

Table 7. Regression Results For Factors Affecting The Share Of Household Income From Homestays (Y2)

Variable	Coefficient (β)	Standard Error (SE)	t-value	p-value
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Variable	Coefficient (β)	Standard Error (SE)	t-value	p-value
Constant	0.762	0.446	1.709	0.090*
Room capacity	0.101	0.115	0.878	0.382
Average monthly visitors	0.419	0.103	4.067	<0.001***
Years in business	0.164	0.101	1.623	0.107
Number of supplementary services	-0.008	0.086	-0.098	0.922
Number of experience types offered	0.007	0.071	0.095	0.924
Dependence on tourism season	-0.135	0.103	-1.307	0.194
Number of support types received	0.012	0.088	0.132	0.895
Gender (Female = 1)	-0.006	0.143	-0.043	0.966
Muong ethnicity (= 1)	0.043	0.145	0.294	0.769

Sample size $n = 145$; $R^2 = 0.407$; Adjusted $R^2 = 0.367$.

Note: *** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$. Ordinal variables are coded as increasing integers by category; count variables (number of services, experiences, and support types) are the total number of options selected in the corresponding multiple-response questions.

Source: Authors' calculations based on household survey data; regression sample $n = 145$.

Table 8. Pearson Correlations Between Key Variables And The Two Dependent Variables

Variable	r with Business Performance (Y1)	r with Income Contribution Share (Y2)
Average monthly visitors	0.51	0.61
Room capacity	0.41	0.57
Years in business	0.35	0.46
Dependence on seasonality	-0.14	-0.11
Number of supplementary services	0.05	-0.01

Source: Authors' calculations based on household survey data.

5.0 DISCUSSION

5.1. The Central Role of Visitor Volume

In both models, average monthly visitor volume is the most statistically significant and consistent factor associated with business performance ($\beta = 0.548$; $p < 0.01$) and the share of household income generated by homestays ($\beta = 0.419$; $p < 0.01$), thereby supporting H1 with respect to visitor volume. This finding is consistent with the economics of small household-based accommodation businesses, where revenue is closely tied to guest numbers while many fixed costs are associated with assets that households already possess. It also aligns with evidence from Ha Giang, where

pioneer households with more stable guest flows achieved more stable income (CRED & Helvetas, 2018).

5.2. Multicollinearity Between Business Scale and Visitor Volume

The correlation matrix (Table 8) shows a relatively strong association between room capacity and average monthly visitor volume ($r \approx 0.79$ in the original dataset). Including both variables in the regression therefore creates multicollinearity, as reflected in the loss of statistical significance for room capacity despite its relatively strong positive bivariate correlations with both dependent variables ($r = 0.41$ and $r = 0.57$). H1 is therefore only partially supported: business scale, proxied by room capacity, appears to influence performance mainly indirectly by enabling households to accommodate more visitors rather than through a clearly identifiable independent effect. Given this result, VIFs should be examined and alternative specifications may be considered, including: (i) retaining only one of the two variables; (ii) constructing a composite business-scale index; or (iii) using structural equation modeling (SEM) or path analysis to distinguish direct and indirect effects through visitor volume.

5.3. Seasonality and The Stability Of Business Performance

Dependence on the tourism season is negatively associated with business performance ($\beta = -0.247$; $p < 0.10$), providing partial support for H3. Households that depend more heavily on peak tourism seasons tend to report lower business performance, although the statistical evidence is relatively weak because the p-value does not fall below 0.05. Together with the descriptive finding that 24.0% of households identify high seasonality as a business difficulty (Table 4), this suggests that seasonality is a noteworthy livelihood risk for homestay households in mountainous areas. This is consistent with the income uncertainty reported for community-based tourism at other ethnic minority destinations in Vietnam (Journal of Tourism and Cultural Change, 2023).

5.4. The Role Of Service Diversification and Policy Support

Contrary to the expectation in H2, neither the number of supplementary services nor the number of visitor experiences offered is statistically significantly associated with business performance. Descriptively, however, cultural and culinary experiences remain widely offered and are perceived as important attractions. This result is more likely to reflect the limitations of simple count measures - which do not capture the quality or professionalism of each service - than to indicate that service diversification is unimportant. Evidence from Lao Cai, for example, suggests that experiential activities linked to traditional handicrafts can generate additional employment and income for local residents (International Journal of Applied Research in Social Sciences, 2024). Similarly, the number of support types received is not statistically significant; however, 42.7% of households report receiving no support at all (Table 5). Limited variation in support across households may therefore partly explain why its effect is not clearly identified in the model.

6.0 CONCLUSION AND POLICYIMPLICATIONS

The results indicate that average monthly visitor volume plays a central role and has the strongest and most consistent statistically significant association with both homestay business performance and the share of household income generated by homestay activities, whereas seasonality remains a risk factor requiring attention. Room capacity is closely associated with visitor volume but does not

show a clear independent effect when both variables are included in the model. Based on these findings, the study proposes the following policy implications:

Prioritize measures that attract and retain a stable flow of visitors by helping homestay households access online booking platforms, build links with tour operators, and strengthen promotion through social media.

Diversify visitor experiences rooted in Muong and Dao culture - including local cuisine, handicrafts, and indigenous agricultural activities - to reduce seasonality, lengthen stays, and increase average visitor spending during the low season.

Prioritize training in guest services, business management, and tourism marketing rather than focusing solely on financial support, as skills development is highly needed and can generate broader livelihood benefits.

Improve transport infrastructure connecting visitors to homestay villages. Poor road access is the second most frequently reported barrier after lack of capital and can increase the cost and difficulty of reaching destinations.

Expand the coverage of support programs. The proportion of households receiving no form of assistance remains relatively high, which may contribute to uneven business performance across households.

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