



NITI Aayog

Rethinking Homestays:

NAVIGATING POLICY PATHWAYS



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Suggested Citation

NITI Aayog, (2025). Rethinking Homestays: Navigating Policy Pathways. June, 2025



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Rethinking Homestays: Navigating Policy Pathways

We are grateful to the research and analysis team behind the report. From the Indian School of Public Policy, we thank Dr Imran Amin, Associate Professor and Shri Himansh Raj Bhatia, Research Associate. We also thank the Internet and Mobile Association of India (IAMAI) and their distinguished experts, Shri Nilotpall Chakravati and Shri Divyaish Srivastava, for their technical and analytical support in the creation of this report.

Gratitude and deep appreciation is extended to Shri Jayant Singh, Former Programme Director (Tourism and Culture), Shri Amit Bhardwaj, Deputy Adviser (Tourism and Culture), Shri Manavendra Jain, Consultant (Tourism and Culture), Divya Nandini Consultant (Tourism and Culture) and Ms. Priyadharshini Paramasivam, Young Professional (Tourism and Culture), Mayank Pathak (Intern) for their enthusiastic contributions, coordination and hard work at all stages of this report.

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MESSAGE

Tourism stands at the forefront of showcasing both the unity and the diversity that define India. As one of the most dynamic sectors of the economy, tourism plays a significant role in generating employment and contributing to national income. It holds the potential to serve as a catalyst in India's journey towards *Viksit Bharat 2047*. Through its direct and indirect impact on employment, skills development, and regional growth, tourism not only empowers local communities but also fosters broader national progress.

India's diverse geography, offering a range of topographical and climatic zones, creates unparalleled opportunities for tourism. Within this landscape, **homestays** occupy a special place. They act as enablers of meaningful exchange between tourists and hosts, allowing for the co-creation of authentic and enriching travel experiences. With their personal and human-centred approach, homestays diversify the tourism offering and promote sustainability.

To fully integrate local communities into the development and promotion of homestays, there is a pressing need for simplified and inclusive regulatory interventions. Reducing entry barriers and harmonising efforts across governance levels is critical. As evidenced during India's strong post-pandemic recovery, homestays have emerged as an important means of addressing infrastructure gaps in tourism, while also providing livelihoods to people within their native environments.

This report seeks to advance the framework for homestay management in India. It offers pathways to strengthen coordination among regulatory authorities, homestay operators, and local communities. Rather than merely providing a snapshot of the current scenario, the report offers a focused reflection on the pivotal role that homestays play in India's tourism landscape.

Its timeliness is underscored by the global shift towards experiential tourism in the post-pandemic world. The recommendations put forward aim to support this shift and to integrate homestays more deeply into the tourism value chain.

I commend the Tourism and Culture Division of NITI Aayog for bringing out this report in collaboration with the Internet and Mobile Association of India (IAMAI) and the Indian School of Public Policy (ISPP). I am confident that it will serve as a valuable foundation for future developments in India's homestay ecosystem and benefit all stakeholders—government, industry, and most importantly, the host communities who stand at the heart of this initiative.

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FOREWORD

As India moves towards becoming Viksit Bharat 2047, a key sector in the journey is tourism which contributes to around 5% of the total share of India's GDP and is expected to rise significantly in the coming decades.

Homestays, an ancient concept revived commercially in recent years, serves as a means to further this end. They not only leverage the rich history and culture of *Bharat* but also serve as tools for economic inclusion. In the same vein, the Government of India has, in the 2025 Budget, extended PM MUDRA Yojana to homestays and encouraged the development of 'light' tourism infrastructure to catalyse micro-entrepreneurship at the local level.

Considering the significant employment-generating potential of homestays, there is a need to create compelling experiences that market, attract, and retain tourism through such alternative accommodations. This timely report titled "*Rethinking Homestays: Navigating Policy Pathways*", published by the NITI Aayog provides a framework to shape and strengthen homestay policy in India.

This report is based on a comprehensive evaluation of the on-ground challenges faced by homestay operators, local communities and regulators from onboarding to operation. This is in response to the prevalent policy-practice gaps that exist due to the misalignment of policies at different levels of governance that prevent the last-mile reach of benefits.

The report critically highlights the areas that necessitate policy interventions from the regulatory perspective that are aligned towards benefiting the local community.

The report aims to create an all-inclusive homestay development framework for India's tourism industry. It will be useful to the policymakers in implementing action-oriented initiatives that match the growing demand for homestay experiences across the country.

I congratulate the Tourism and Culture Division of NITI Aayog for bringing out this insightful report.


16/6
[B.V.R. Subrahmanyam]

Dated: 16th June, 2025



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PREFACE

The transformative vision of Viksit Bharat 2047 of making tourism a \$3 trillion economy with 100 million inbound tourists annually cannot be driven without the inclusion of the citizens of India. Thus, it is such a pleasure to present the report titled "*Rethinking Homestays: Navigating Policy Pathways*", which is an endeavour to further the inclusion of everyday citizens and residents alike in India's development story. This report on the homestay policy landscape in India is both an effort towards and the acknowledgement of the pivotal role played by residents in furthering national development.

As part of the creation of this report, extensive field research was carried out to reveal the ground challenges directly at the implementation level. A series of visits were carried out to eight districts across four states (Uttar Pradesh, Uttarakhand, Kerala and Goa). This echoes the values of NITI Aayog, which prioritises actionable interventions over just recommendations. The report would not have been possible without the enriching inputs provided by all the stakeholders—officials from the state government, central government, homestay operators, and resident communities who provided their unique solutions that ultimately helped shape the recommendations in this report.

I am sure that this report will provide valuable and actionable inputs and contribute to the transformative journey of India's tourism industry.



16.06.2025

[Yugal Joshi]

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LIST OF ABBREVIATIONS

Abbreviation	Description
GDP	Gross Domestic Product
B&B	Bed and Breakfast
WTTC	World Travel and Tourism Council
EIR	Economic Impact Research
HML	Harmonised Master List
UNWTO	United Nations World Tourism Organisation
Gen	Generation
MoT	Ministry of Tourism
OTA	Online Travel Aggregators
CAGR	Compound Annual Growth Rate
UDAN	Ude Desh Ke Aam Nagrik
GOI	Government of India
SDG	Sustainable Development Goals
NIDHI	National Integrated Database of Hospitality Industry
AGAY	Atithi Greh Awas Yojana
NOC	No Objection Certificate
MOUs	Memorandum of Understanding
HATS	Kerala Homestay and Tourism Society
DDUGAY	Deen Dayal Upadhya Grih Awas Yojana
EoDB	Ease of Doing Business
USP	Unique Selling Proposition
IEC	Information, Education and Communication
LIU	Local Intelligence Units
MSME	Micro, Small and Medium Enterprises
IATO	Indian Association of Tour Operators
TAAI	Travel Agents Association of India
DTPC	District Tourism Promotion Council

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EXECUTIVE SUMMARY

Following the economic slowdown during the pandemic, the tourism sector in India has undergone a major recovery, driven significantly by booming domestic tourism and accompanied by trends such as a rising propensity for travellers to choose experiential travel and less explored destinations. As the sector continues on its growth path, strong future prospects can be unlocked by tapping into the opportunities presented by these trends. Alternative accommodation such as homestays is one such opportunity that has immense economic potential, and an increasing ability to supplement the massive growth in India's tourism sector.

Homestays offer tourists a different hospitality experience that is thoroughly localised and promotes immersive cultural experiences. With its rich culture and diversity, India's tourism landscape is an ideal ground for the homestay model to thrive and complement the traditional accommodation sector, adding capacity to meet the increasing demand for rooms. While the homestay model has had some success in India, particularly in certain states such as Goa and Kerala, there is an opportunity to apply these learnings and global best practices across the country to enable the next stage of growth of the homestay sector and provide a fillip to micro-entrepreneurship in tourism and hospitality.

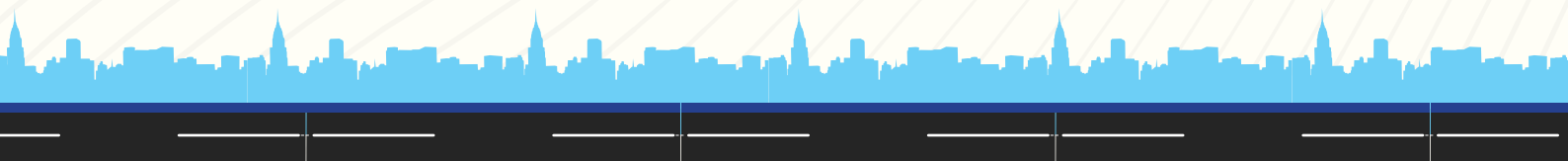
For tourism to truly be a driver in achieving the Government's vision for a Viksit Bharat by 2047, an enabling regulatory framework for homestays is an essential step. Following the introduction of the Incredible India Bed & Breakfast by the centre, 18 states in India have formulated their guidelines/schemes for homestays, offering various fiscal, non-fiscal, tax, marketing, and capacity-building incentives and focusing on diverse purposes from livelihood promotion to rural tourism development.

Highlighting the employment-led growth potential of the sector, the 2025 Budget increased the allocation on tourism development. Homestays were further given financial assistance through their inclusion in the PM MUDRA Yojana loans.

However, despite the guidelines' attempt to equalise homestay standards, the current regulatory environment for homestays is marked by grey areas, which leads to disagreements between regulators, homestay operators and community members who are tangentially engaged in the homestay-led economy. Disparities in regulatory requirements to officially register and operate a homestay and a lack of clarity regarding these requirements between various stakeholder groups present a significant hurdle to the sector's growth.

Alongside the on-ground challenges around onerous registration processes involving multiple stakeholders and process delays, the sector also offers compelling opportunities. The homestay sector has a multiplier effect on the economy by creating an ecosystem for tourism-allied services to grow, thereby generating additional livelihood opportunities for local communities. It also provides an opportunity to nurture India's impressive diversity of local cultures and showcase them around and beyond the country through travellers' experiences.

Regulatory frameworks must thus be streamlined in a way that addresses the existing challenges and meets the envisioned opportunities. Our collective goal must be to take a forward-looking approach and work on enabling light-touch structures that help homestays become the next step in India's incredible tourism journey and potential. Capacity building, including for regulators, and incentivisation through subsidies, non-commercial rates on utilities, and improved ease of doing business are among aspects that will be integral to such structures. This report aims to advance a framework that states can adopt to harmonise regulations and establish an inclusive homestay ecosystem, thus promoting sustainable tourism growth.





1. EVOLVING LANDSCAPE OF TOURISM

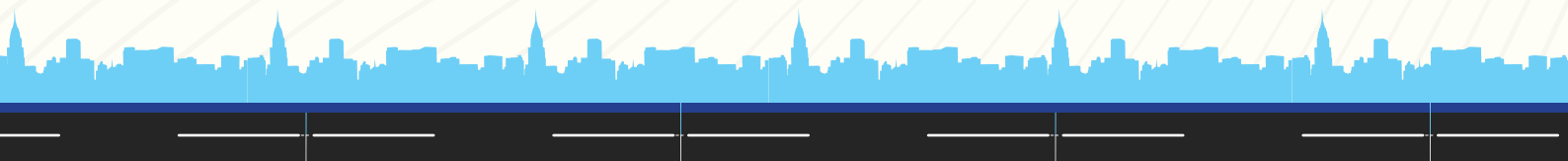
1.1 Introduction

India's travel and tourism sector has witnessed significant growth in the 21st century, emerging as a crucial driver of economic development, employment, and cultural exchange. This growth has been fuelled by a surge in domestic and international travellers, rising disposable incomes, and increased accessibility to diverse destinations. However, the COVID-19 pandemic halted this momentum, causing an unprecedented crisis in the industry. The travel restrictions imposed globally led to one of the steepest tourist declines, affecting millions dependent on the sector. Despite this setback, India's tourism industry has demonstrated remarkable resilience, bouncing back with a strong recovery, primarily driven by domestic travel¹. Future projections indicate that this revival will continue at an accelerated pace, further solidifying the industry's role in India's economic aspirations.



Even as the sector regains stability, significant transformations are underway. Changing traveller preferences, evolving tourism sub-sectors, and infrastructural challenges have altered the dynamics of the industry. A generational shift is reshaping the motivations behind travel, with new-age travellers seeking immersive, personalised, and sustainable experiences². Simultaneously, alternative forms of tourism, such as eco-tourism, medical tourism, spiritual tourism, and adventure tourism, are gaining prominence, demanding a diversified accommodation landscape. While the hospitality industry has traditionally relied on hotels and resorts, the increasing demand for more flexible and locally integrated lodging options has led to the rapid expansion of homestays and bed & breakfasts (B&Bs). These accommodations provide an opportunity for travellers to engage more deeply with local communities while offering a cost-effective, culturally immersive, and sustainable lodging option.

Despite their increasing popularity, homestays and B&Bs operate within an evolving regulatory framework that lacks uniformity across different states. While some states have introduced policies and incentive programs, others have yet to develop a structured regulatory approach. The sector remains nascent, requiring policy support, formal recognition, and streamlined regulation to ensure growth without excessive compliance burdens. The challenge lies in establishing a framework that balances ease of business for hosts with consumer safety, quality assurance, and legal compliance.



This report examines the regulatory landscape governing homestays and B&Bs across key Indian states, analysing the sector's growth potential, challenges, and policy gaps. It presents a comparative assessment of state-level policies, evaluates insights from on-ground interactions, and outlines recommendations for a more inclusive, efficient, and growth-driven framework that unlocks the full potential of alternative accommodation models in India.



1.2 State of Travel and Tourism in India

The World Travel & Tourism Council's (WTTC) 2024 Economic Impact Research (EIR) underscores India's strong post-pandemic recovery, with domestic tourism playing a pivotal role in revitalising the industry. The sector's contribution to the economy has surged, and its role in employment generation remains substantial.

In 2024, India's travel and tourism sector contributed ₹21.15 Lakh Crore to the economy, reflecting a 21% increase from 2019. Over the next decade, this figure is expected to reach ₹43.25 Lakh Crore, constituting 7.6% of the country's GDP. Employment in the sector has also expanded, with 4.325 crores individuals currently engaged in tourism-related jobs, making up one in every eleven jobs in India. By 2034, the workforce in this sector is expected to increase to 6.3 crores.³

Tourist spending patterns further highlight the sector's resilience. In 2024, domestic tourists spent ₹160 Lakh Crore, nearly 25% higher than 2019 levels, and this figure is expected to almost double to ₹28.70 Lakh Crore by 2034. Similarly, international tourist spending surpassed pre-pandemic statistics in 2024, reaching ₹2.85 Lakh Crore, with projections estimating an increase to ₹4.07 Lakh Crore by 2034.

Furthermore, the Draft National Tourism Policy 2022 aims to elevate India into the top five global tourism destinations by 2030, with ambitious targets for increasing international tourist arrivals, domestic visits, foreign exchange earnings, and employment opportunities.⁴

Recognising the sector's potential as a key driver of employment-led growth, the Government of India has significantly increased budget allocations for tourism development. The Ministry of Tourism's budget has risen to ₹2541 crore. The government's efforts include developing the top

50 tourist destinations, focusing on public-private partnerships, providing fiscal support to the homestay sector through MUDRA loans, and classifying hotels under the Harmonised Master List (HML) to encourage investment.⁵



1.3 Changing Traveller Preferences

The global tourism landscape is undergoing a fundamental transformation, with travellers seeking experiences that go beyond conventional leisure trips. Social media has emerged as a powerful influence, shaping travel decisions and destination choices.⁶

Across different age demographics, travel motivations and booking behaviours vary significantly. Gen X (45-60 years old) prioritises safety, family-oriented travel, and relaxation, relying heavily on travel agencies and word-of-mouth recommendations. On the other hand, millennials (29-44 years old) seek exploratory experiences, cultural engagement, and hybrid work-leisure travel, making them the most adaptable to alternative accommodations. Gen Z (13-28 years old) favours adventurous and immersive travel, heavily relying on peer recommendations and online reviews.⁷



Another emerging trend is the shift towards longer, purpose-driven travel. In India, 87% of travellers are interested in extended trips to experience new destinations fully. The rise of “workcations” and digital nomadism has increased demand for affordable, long-term accommodations, further boosting the homestay segment. Additionally, offbeat and rural tourism has gained popularity, with 69% of travellers preferring lesser-known destinations over mainstream tourist spots.⁸

Sustainability is also at the forefront of modern travel choices. A 2021 study found that 72% of Indian travellers prioritise supporting local communities through tourism, while 94% actively seek eco-friendly travel options. These shifting preferences have paved the way for alternative tourism models, including eco-tourism, wellness tourism, and rural homestays, which align with India’s broader tourism development goals.⁹

1.4 Growth of the Alternative Accommodation Sector

Despite the rapid growth in tourism, India faces a significant shortfall in accommodation infrastructure, particularly in peak seasons. The Ministry of Tourism estimates a shortage of over 2 lakh hotel rooms, making alternative accommodations a critical solution to bridge the gap. While new hotel developments require high capital investment, regulatory approvals, and land availability, homestays and B&Bs offer a low-cost, scalable alternative that can expand accommodation capacity without additional infrastructure pressure.



Homestays serve as an ideal lodging option in multiple contexts:

- » Remote and Offbeat Locations – Providing accommodation in areas with scarce traditional hotels.
- » Tier-II and Tier-III Cities – Supporting the rise of new hubs for business and tourism complemented by the push for infrastructure development through schemes such as PM GATI SHAKTI and UDAN.
- » Sustainable Travel Segments – Aligning with eco-conscious and community-driven tourism.
- » Long-Term Stays – Catering to digital nomads, professionals, and slow travellers.



The rise of Online Travel Agencies (OTAs) such as Airbnb, MakeMyTrip, and Booking.com has significantly expanded the alternative accommodation segment, making it more accessible and structured through seamless digital booking systems, user reviews, and secure payment gateways. This surge in digital adoption has driven strong growth in this market, with promising prospects.

According to a report by Cognitive Market Research, the size of the homestay market in India in terms of sales revenue was ₹4,722 crores in 2024, with a projected CAGR of 11.0% between 2024-2031.¹⁰ This expansion is reflected in the success of major OTAs. MakeMyTrip's homestay segment now accounts for 10% of hotel room night sales.¹¹ On the supply side, MakeMyTrip has expanded its homestay portfolio to over 1 Lakh rooms.¹² Meanwhile, Booking.com continues to experience strong momentum in the alternative accommodation sector, with global listings reaching 79 lakhs by Q3 2024.¹³

Airbnb has also demonstrated significant growth in India. According to Airbnb, nights booked by Indian guests in the domestic market grew by over 30% in the first three quarters of 2024 compared to the same period in 2023.¹⁴ Additionally, a study by Oxford Economics on Airbnb's economic impact in India found that Airbnb contributed ₹7,200 crores to the country's Gross Domestic Product and supported over 85,000 jobs in 2022 alone. Airbnb guests also spent ₹6400 crores in India, more than doubling 2019 levels.¹⁵

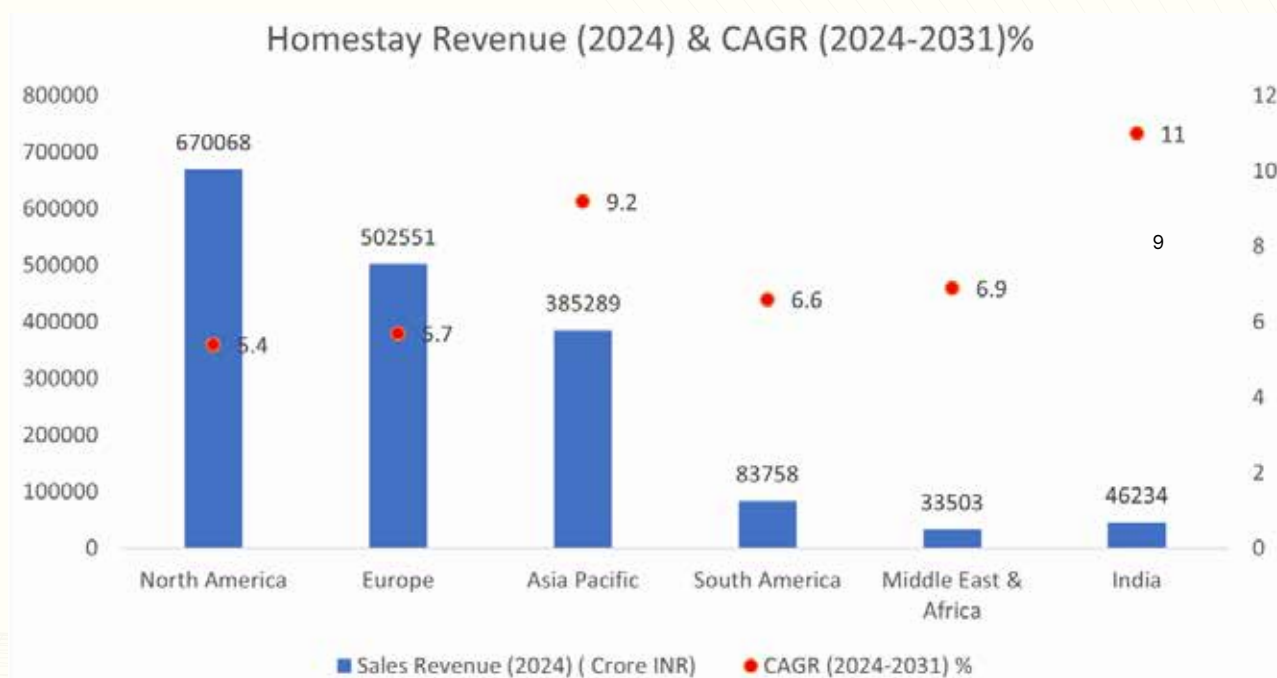


Figure 1.1: Homestay Sectors Across the World: Size and Growth Projections¹⁶



2. ALTERNATIVE ACCOMMODATIONS IN INDIA: A UNIQUE CULTURAL AND ECONOMIC PROPOSITION

2.1 Showcasing Incredible India and Embodying *Atithi Devo Bhava*

In 2002, the Government of India launched the *Incredible India* campaign to position the country as a premier global travel destination by showcasing its rich cultural heritage, diverse landscapes, and unique experiences.¹⁷ This campaign aimed to redefine India's image on the world stage, emphasising its unparalleled diversity and authentic charm. To further complement this vision and meet the growing demand for immersive and experiential travel, the Ministry of Tourism also introduced the *Incredible India Bed & Breakfast/Homestay Establishment* guidelines in 2006, which were revised and updated in 2018.¹⁸ These guidelines sought to provide travellers with authentic, community-driven experiences by enabling them to stay with local families and explore India's vibrant tourism landscape. This initiative also aligned with the ethos of *Athithi Devo Bhava*, a campaign launched in 2005, reflecting India's long-standing cultural value of treating guests as gods.¹⁹ By promoting meaningful and sustainable interactions between travellers and local communities, the *Incredible India Bed & Breakfast/Homestay Establishment* guidelines aimed to enhance the tourist experience and provide economic opportunities for local communities.



Further, with over 65% of India's population under age 35 as of 2020, there has been a notable shift towards more immersive, meaningful travel experiences that traditional accommodation options often fail to provide to this demographic. Alternate accommodations—such as homestays—have emerged to fill this gap by offering personalised, culturally rich experiences, allowing travellers to engage deeply with local communities, traditions, and cuisines. This shift has been further accelerated by the widespread penetration of smartphones, affordable data plans, and the rise of online travel aggregators (OTAs).²⁰ These technological advancements have made it easier for travellers to discover and access unique stays, driving the popularity of homestays and other alternative accommodation options.

Beyond enriching the visitor experience, homestays ensure tourism benefits flow directly to grassroots communities. By encouraging travellers to engage with artisans, explore traditional crafts, and support small businesses, homestays help sustain local economies while preserving cultural heritage. They also act as catalysts for community-based tourism, fostering collaboration among families within villages to collectively host guests, generate shared incomes, and create sustainable livelihoods.

2.2 Enabling Multiplier Effect

The alternative accommodation sector stands apart from other travel and tourism sub-sectors due to its decentralised nature and strong multiplier effect. Unlike traditional hospitality models, these small-scale units generate revenue distributed across a broader population, ensuring more inclusive economic benefits. As estimated by the Tourism Satellite Account of India,²¹ the homestay sector, in particular, is stated to have an estimated employment multiplier of 4.38 and an output multiplier of 2.04, which is the highest among sub-sectors of tourism. Accordingly, the growth in the homestay sector also significantly impacts other manufacturing sectors like processed foods, and trade. However, its most significant impact is on agricultural products, given that a per unit increase in the homestay sector output has a 0.42 unit increase in agricultural products.²²



Research from the field also shows that homestays account for a sizable share of the spending that supports local businesses and livelihoods, thereby strengthening community-based tourism. The sector enables local groups to pool resources, manage sustainable tourism funds, and invest in infrastructure and sanitation improvements. This fosters better living conditions, reduces outmigration, and regenerates fading cultural practices. By unlocking local communities' untapped cultural and social capital, homestays serve as a powerful catalyst for equitable economic growth and sustainable livelihoods.

2.3 Promoting Sustainable Tourism

In addition, as responsible and sustainable tourism gains momentum, alternative accommodations increasingly align with India's broader goals of cultural preservation and economic empowerment. They are also seen to specifically contribute to the achievement of the 2030 Agenda for Sustainable Development adopted by all United Nations Member States in 2015, particularly SDG1 (No Poverty), SDG5 (Gender Equality), SDG8 (Decent Work and Economic Growth), SDG11 (Sustainable Cities and Communities), and SDG13 (Climate Action).²³ Given that women have been actively involved in the operation of homestays, it has also played a transformative role in their lives by empowering them to attain entrepreneurial status.²⁴ By blending modern traveller preferences with traditional hospitality, they enhance India's tourism landscape and create lasting social and economic benefits for local communities.





3. LANDSCAPE OF ALTERNATIVE ACCOMMODATIONS IN INDIA

3.1 Regulatory Landscape

Generally, across states and central governments, homestays are categorised under Category IV, which means that there are other types of accommodation than the usual tourism units, such as hotels, guest houses, etc. In some states, local governance bodies like the Nagar Nigam and the Panchayats have also issued guidelines for other types of accommodation units within Category IV, like paying guests, guest houses and lodges.²⁵ To incentivise and promote homestays, state governments have promulgated schemes for specific population groups or geographical areas for livelihood promotion, tourism development, and women empowerment. In some cases, where no specific policies/schemes for homestays exist, they are featured in the state's tourism policy.

State	Homestay	B&B	Guest House
Uttarakhand	Up to 6 rooms Family should reside in the premises	Up to 6 rooms. Family should reside in the premises	
Goa	Up to 6 rooms, Family should reside in the same house	Up to 6 rooms, Caretaker should reside in the premises	Up to 6 rooms, No requirement for residing
Kerala	Up to 6 rooms, Family should reside in the same house. Residence certificate or Ration card are required as proof of residence.	Up to 6 rooms; Manager, Chef & Helper are to be resided if the family does not live in the premises. This is categorised as 'serviced villas.	Up to 6 rooms, Family residing is not mandatory.
Uttar Pradesh	No requirement for residing Under 5 rooms	No requirement for residing Under 5 rooms	No requirement for residing Under 5 rooms

Table 3.1: Different types of Accommodation within Category D/Others

To understand the regulatory practice at the ground level, our team visited 8 districts across four states (Uttar Pradesh, Uttarakhand, Kerala and Goa) to speak to homestay operators, regulators, and community members.

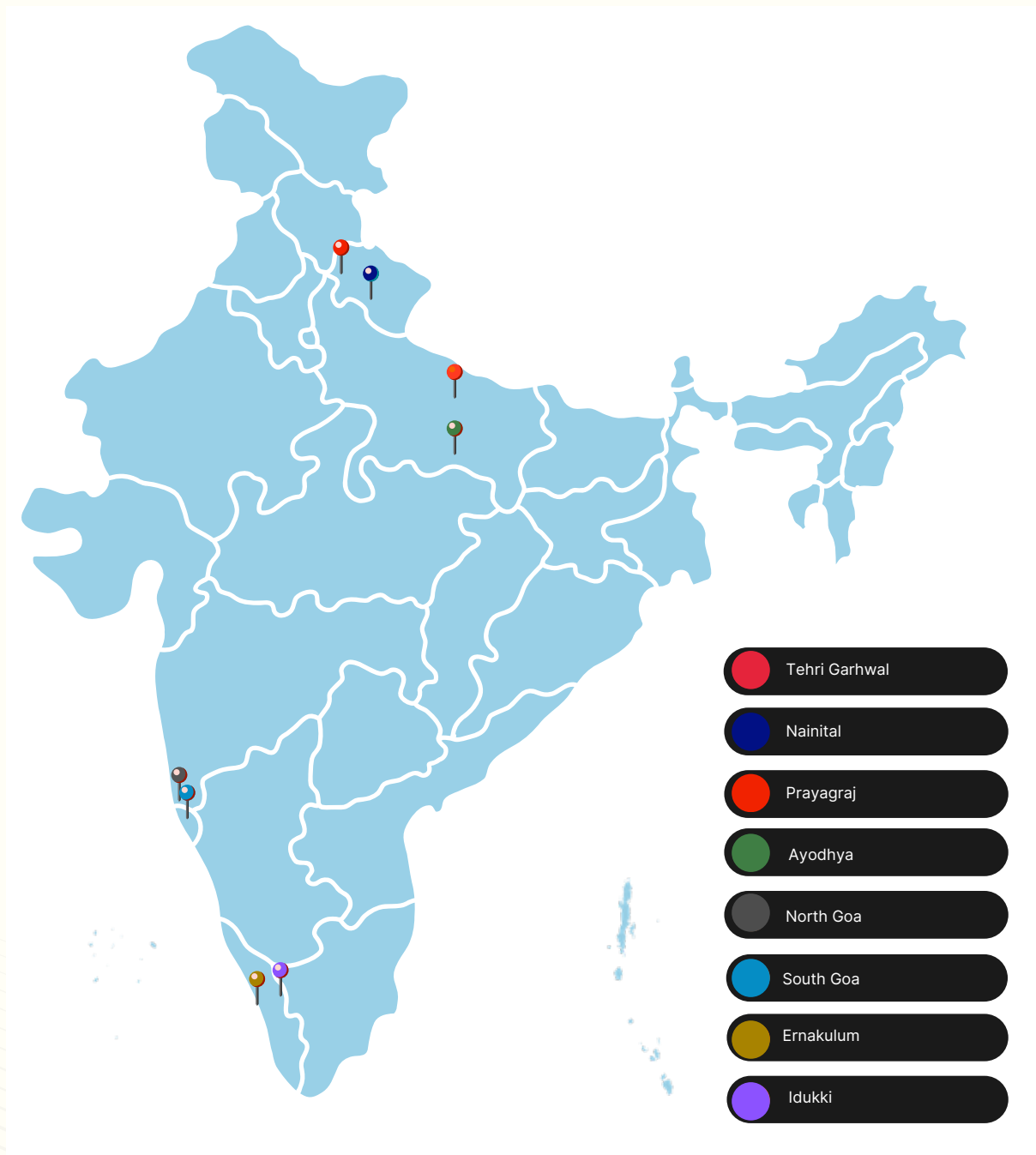


Figure 3.1: Study areas for On-ground surveys.

The following section outlines the regulatory procedure, process, and ways to access them.

3.1.1 Registration Roadmap²⁶

To understand the regulatory landscape, it is essential to examine how each state perceives homestays as microenterprises and formulates policies accordingly. States tend to formalise and standardise the sector, whereas there is a need for a more flexible and light-touch approach that aligns with the unique characteristics of homestays.

List of Websites for registration

Title	Link
Uttarakhand	https://uttarakhandtourism.gov.in/homestay/details.php?pgID=home-stay-list
Government of India	https://nidhi.tourism.gov.in/mynidhi/
Uttar Pradesh	https://uptourism.gov.in/en/post/bed-and-breakfast-scheme
Kerala	https://www.keralatourism.org/homestays
Goa	https://goaonline.gov.in/AppIn/Ui/DeptServices?_DocId=TOU&_ServiceId=TOU03

Table 3.1.1: List of websites for homestay registration

While Uttarakhand, Uttar Pradesh, and Kerala follow a similar number of steps, their regulatory frameworks differ in structure and intent. Goa, meanwhile, stands out by issuing certificates before conducting verification. The illustrations below outline the registration process in each state.

Uttarakhand



Figure 3.1.1A: Registration Roadmap - Uttarakhand

Uttar Pradesh



Figure 3.1.1B: Registration Roadmap - Uttar Pradesh

Kerala

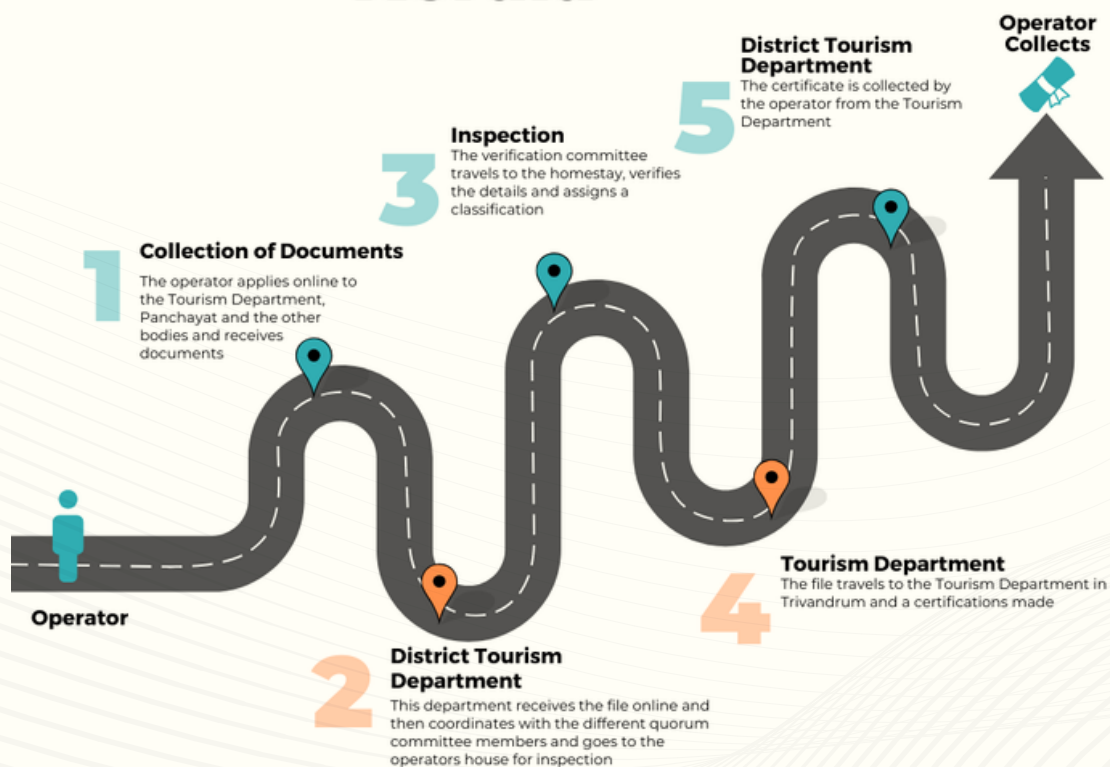


Figure 3.1.1C: Registration Roadmap - Kerala



Figure 3.1.1D: Registration Roadmap - Goa

3.1.2 Guidelines for Registration and Classification of B&B and Homestays in India

Tourism is not part of any of the three lists under Schedule VII of the Constitution. However, many activities associated with tourism and hospitality are already part of either Union or State Lists. Consequently, the Ministry of Tourism has issued Incredible India Bed and Breakfast Guidelines²⁷ under which Homestays and B&Bs across India can register. Moreover, the Ministry has also launched an online portal- National Integrated Database of Hospitality Industry (NIDHI)²⁸ where tourism entities can register their services.

3.1.3 Registration Process

Operators are required to fill the form along with a requisite set of documents and submit it to the tourism department. After this, the verification and approval process begins, followed by the registration and classification certificate award. The guidelines also lay down various compliances that homestay operators have to adhere to during the course of their operation. Finally, the guidelines specify the duration for which the certificate is valid and the process of renewal to be followed.

3.1.4 Registration and Classification Process under the Central Government Guidelines for Homestays and B&B

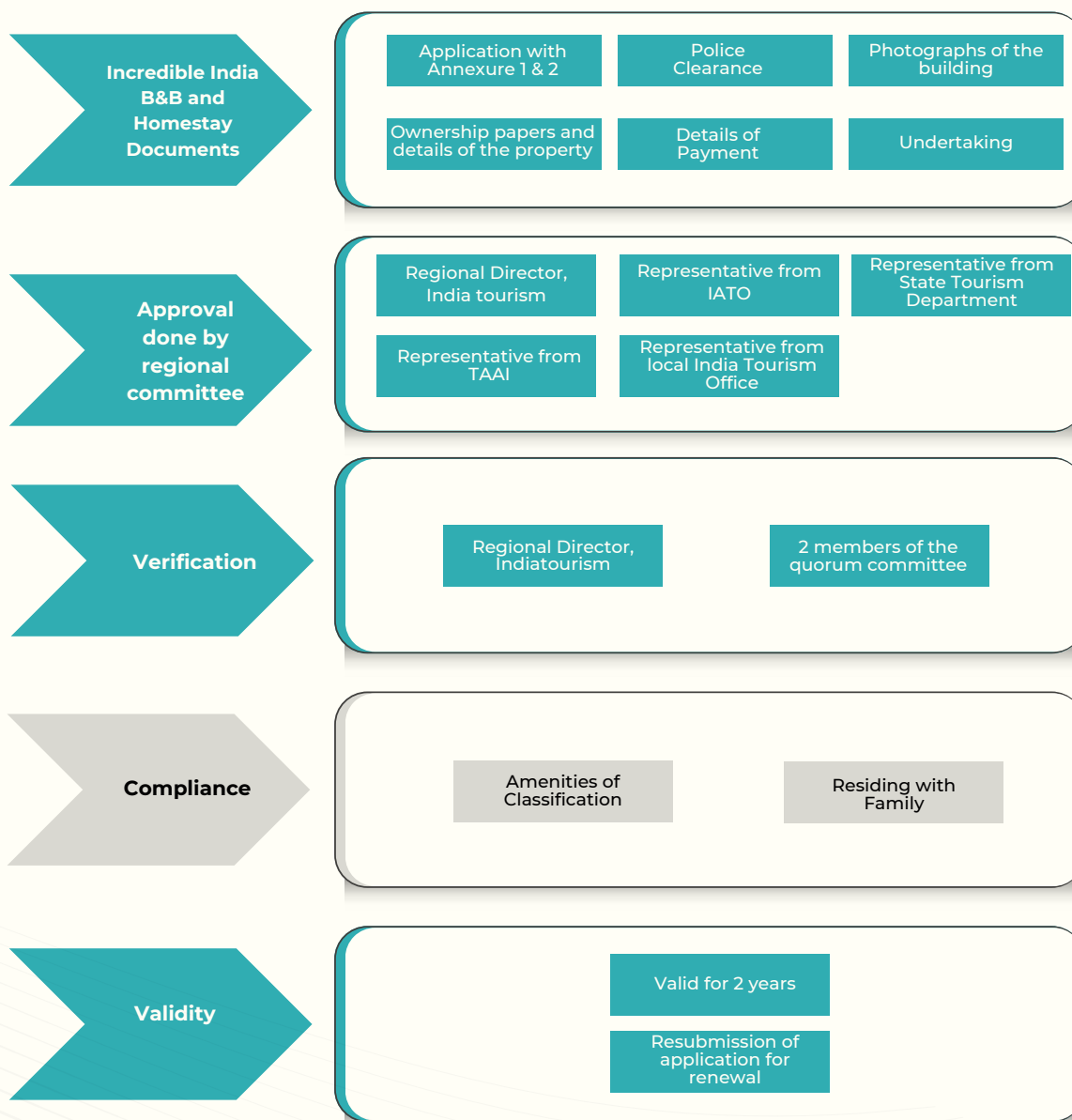


Figure 3.1.4: Registration and classification process under Central Government Guidelines for Homestays and B&Bs

3.1.5 Registration and Classification of Homestays and B&Bs in States

The regulatory framework for B&Bs and homestays varies across states, with differences in terms of documents required for application, the constitution of the approval committee, verification process, compliances, validity and renewal process. For instance, Uttarakhand and Goa also have schemes to promote homestays with a specific application process and incentives. Whereas, Uttar Pradesh and Kerala have guidelines issued by local municipal bodies for Guest House and Lodge, respectively, that allow operators to run similar types of accommodation units²⁹.

Additionally, state government guidelines for homestays vary: Uttarakhand regulates homestays through the Atithi Griha Awas Yojana (AGAY), while Uttar Pradesh allows registration via the NIDHI portal or the Paying Guest Scheme, 1998. Kerala has classification guidelines for homestays and a Serviced Villa classification for B&Bs. In 2022, Goa Tourism introduced a new Ease of Doing Business Order with a homestay registration process.

Examining these policies provides insights into application requirements, approval committee structure, verification, compliance, validity, and renewal processes.

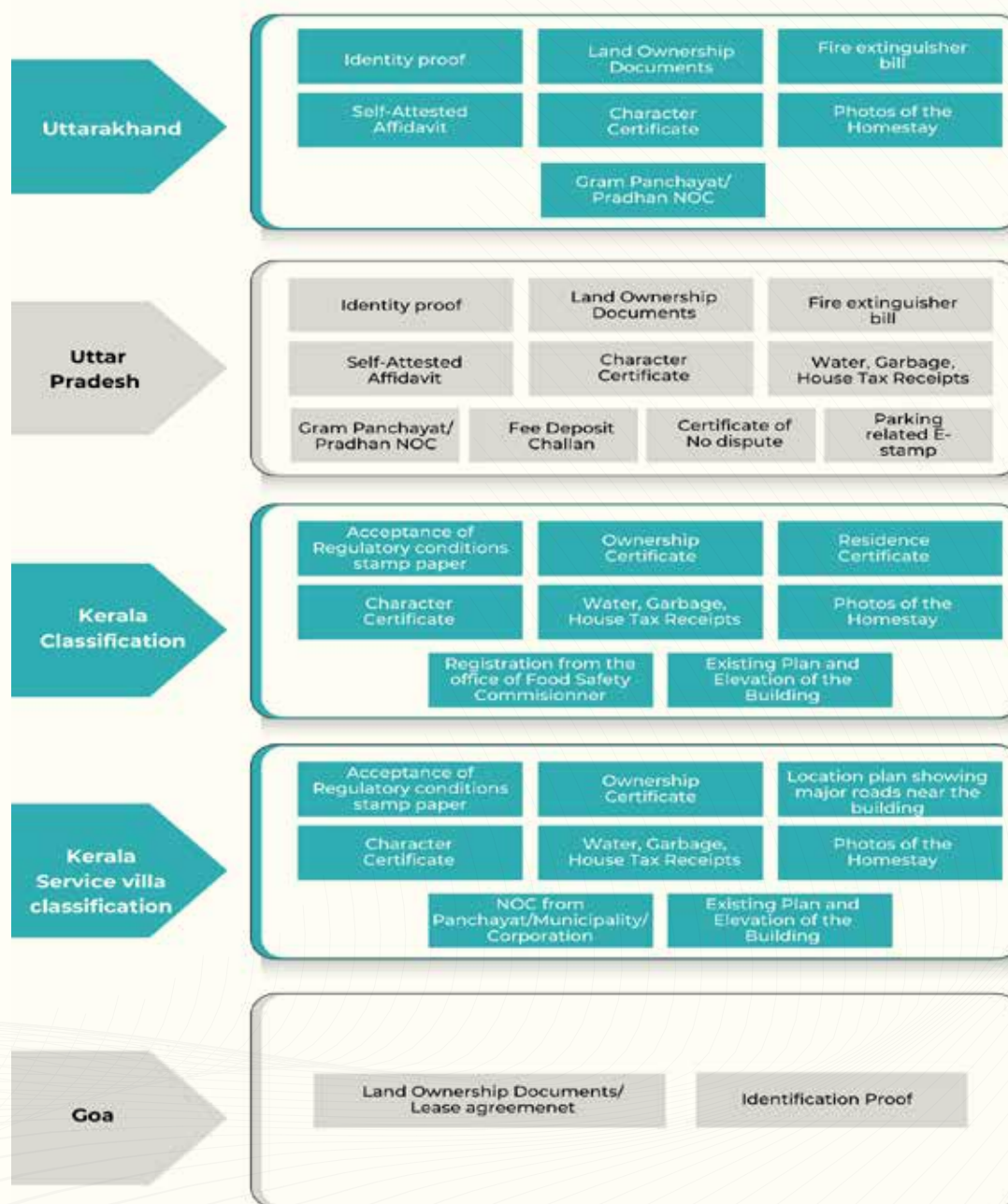


Figure 3.1.5: List of prerequisite documents for application across states

Goa requires the least paperwork for applications, while the Uttar Pradesh Paying Guest scheme has the most. This is crucial, as the effort needed to procure these documents can be a major bottleneck for operators. The time and resources needed to get these documents may discourage potential operators from entering this business and hinder existing operators from registering. These states also vary regarding the composition of the approval committee and the verification process.

3.1.6 Registration Approval Committee across States

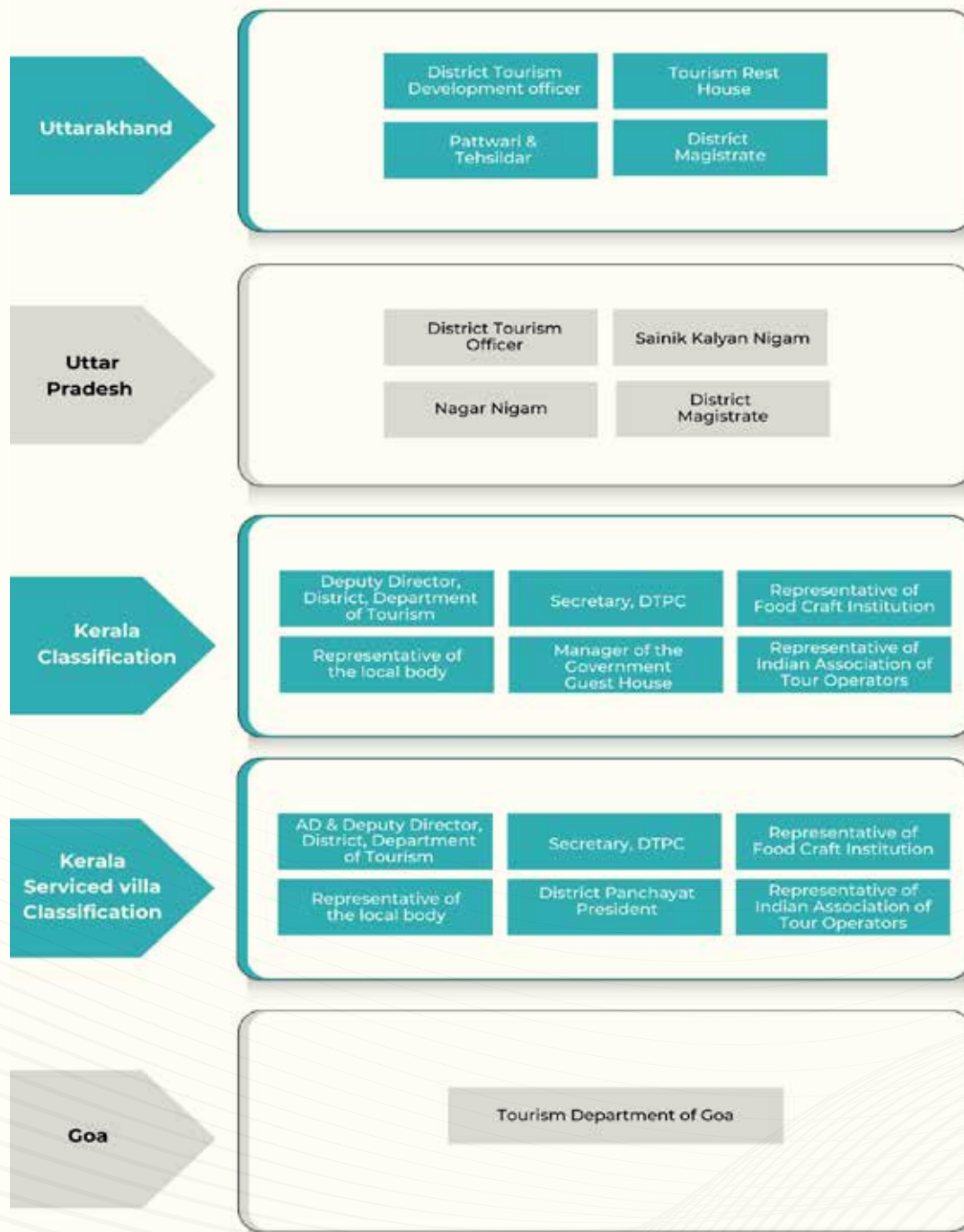


Figure 3.1.6: Registration approval committee across states

3.1.7 Verification Committee across states

After submitting the application for registration, specific departments verify the amenities in the homestay, as attested by the applicant. The number of verifications involved in registration significantly impacts the application processing time.

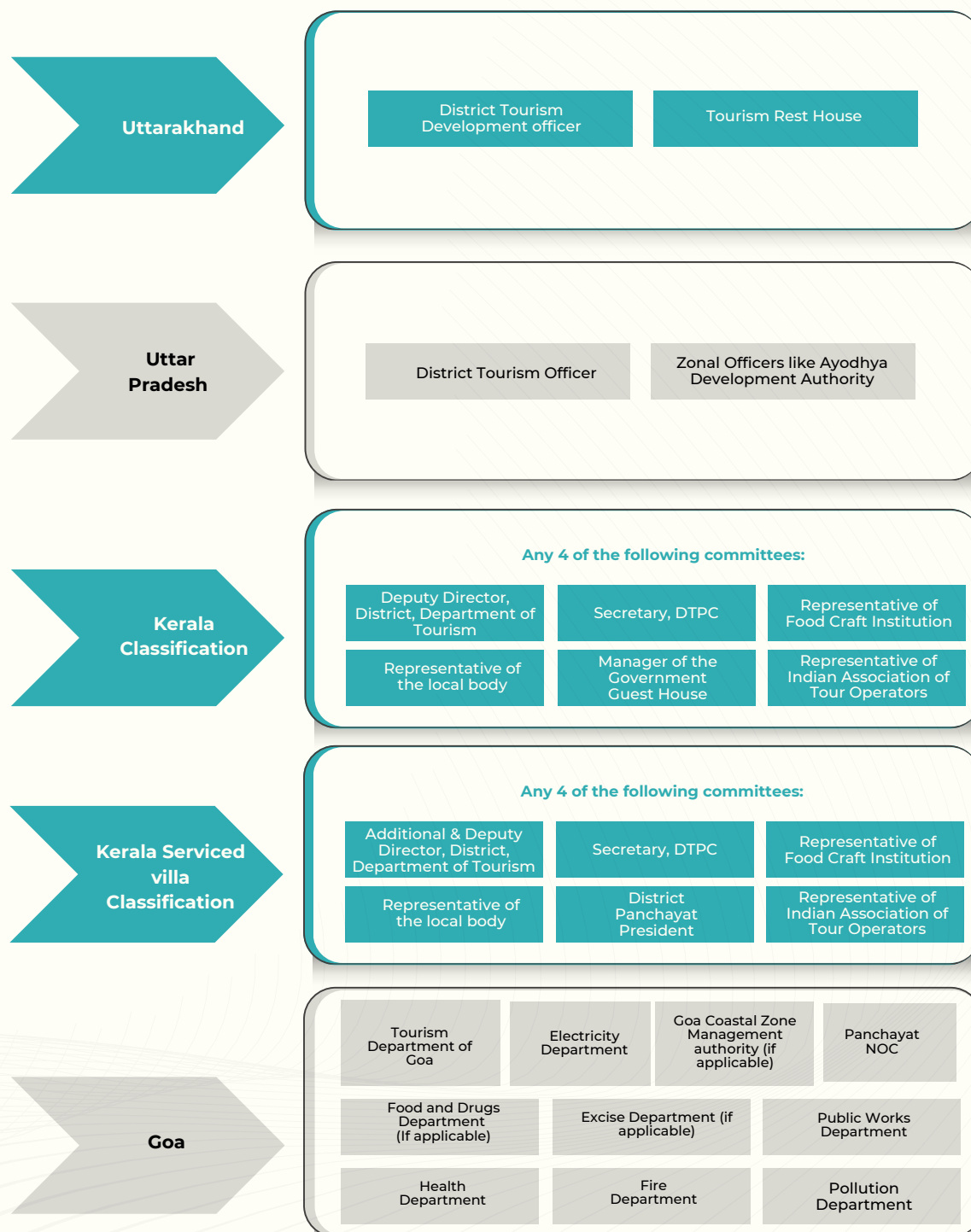


Figure 3.1.7: Verification Committee across states

3.1.8 Compliances During Operations

Once verified, homestay operators must comply with prescribed guidelines throughout their operation.

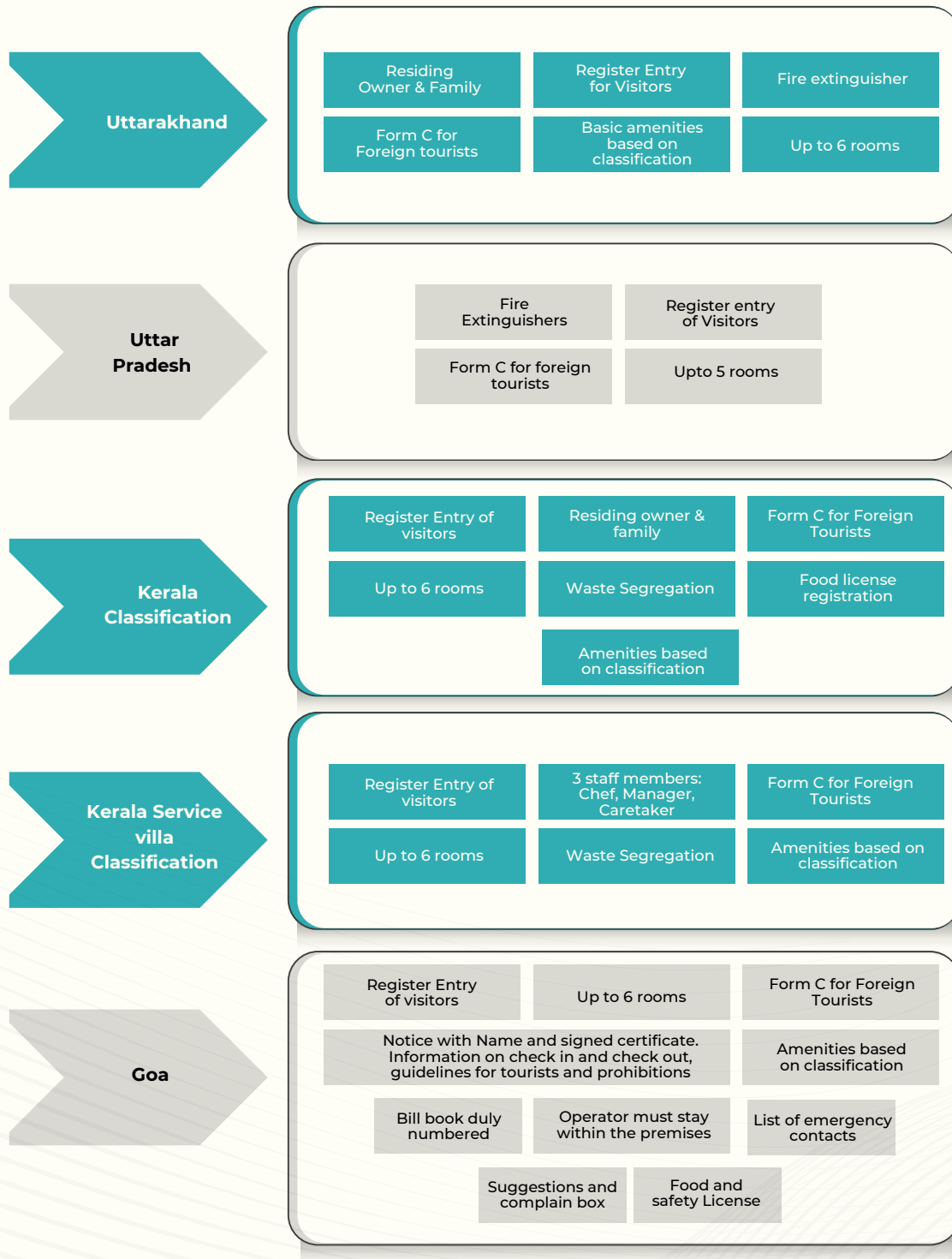


Figure 3.1.8: Compliances during operations

3.1.9 Validity and Renewal within State Guidelines

Finally, the guideline lays down the certificate's validity duration and its renewal process.

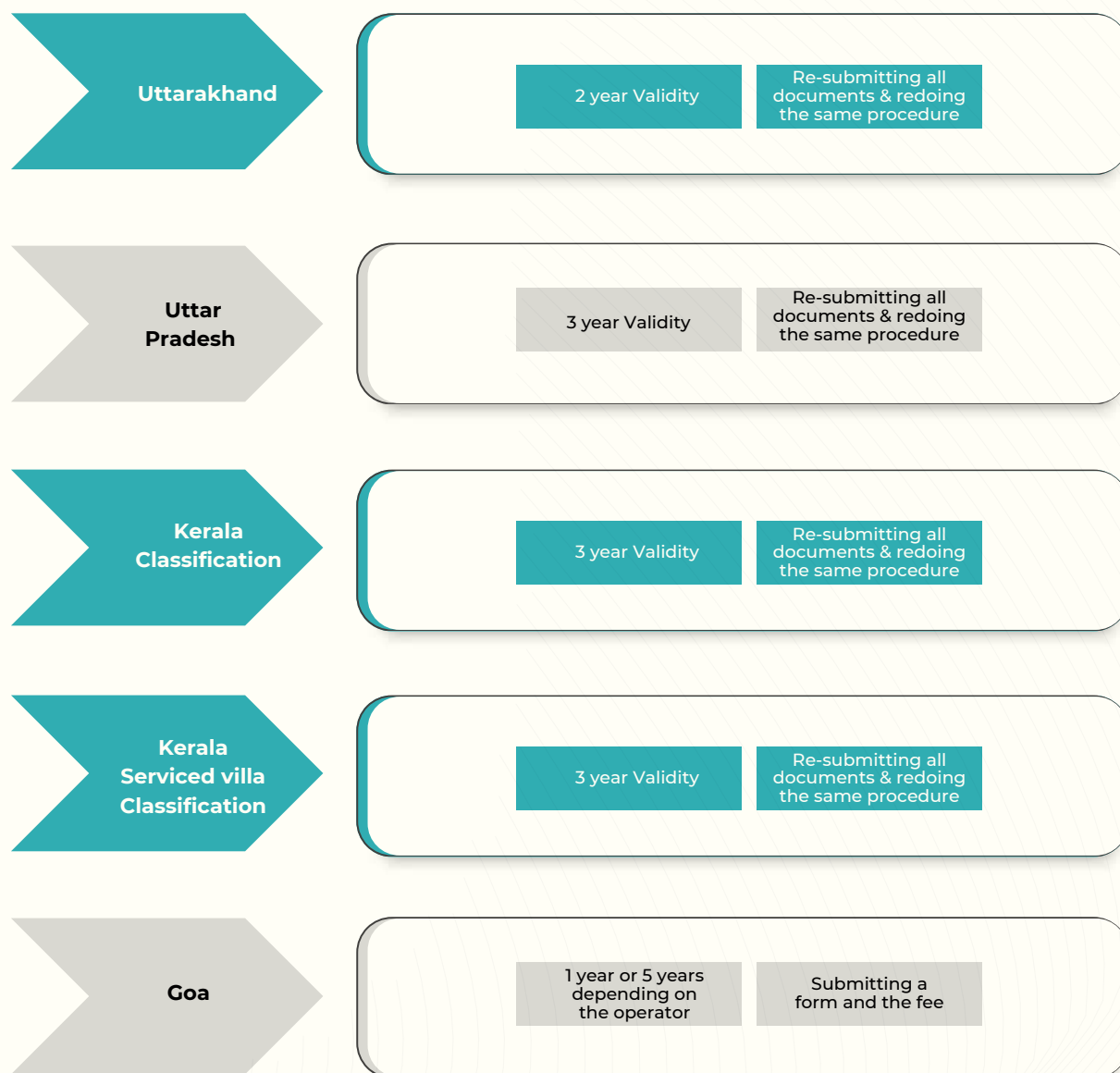


Figure 3.1.9: Validity and renewal within state guidelines

3.1.10 List of Documents Required to apply for the Municipality Scheme

Beyond the state guidelines for registering and classifying homestays and B&Bs, municipal bodies in Uttar Pradesh and Kerala have separate schemes for other Category IV accommodations. In Uttar Pradesh, Guest House schemes, and in Kerala, Lodge schemes, are often used by homestay and B&B operators, creating regulatory confusion.³⁰ To clarify, we’ve prepared a comparative overview of key components across both states below.

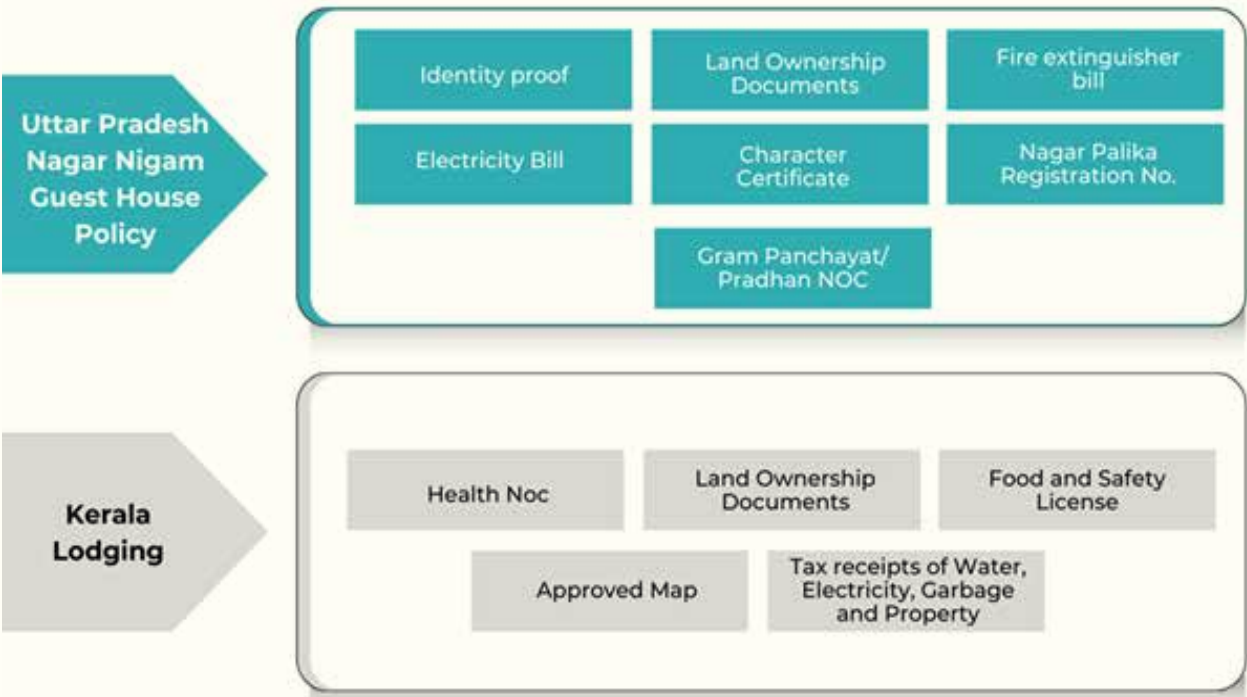


Figure 3.1.10: List of documents required to apply for municipality schemes

3.1.11 Approval Committee for Schemes by Municipal Bodies

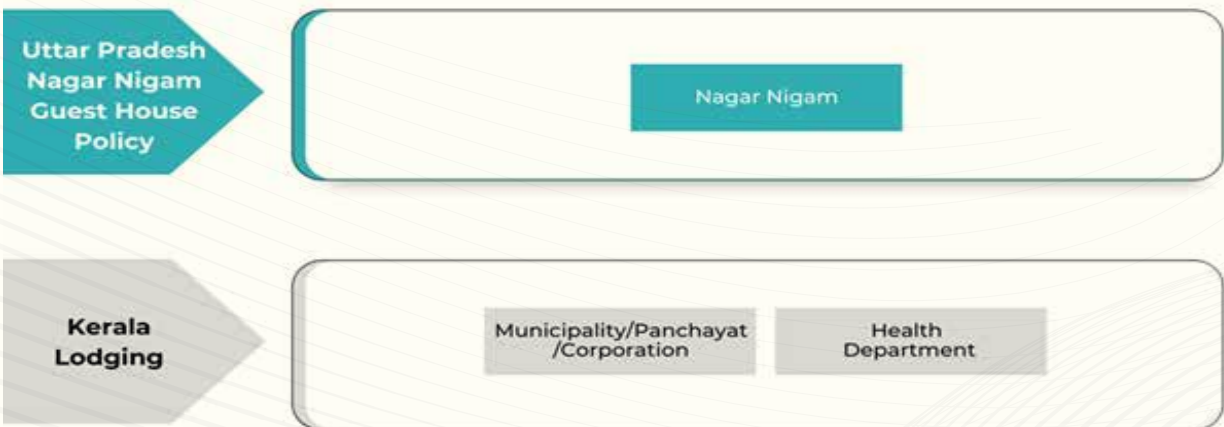


Figure 3.1.11: Verification Committee across states

3.1.12 Compliances of the Municipality Scheme

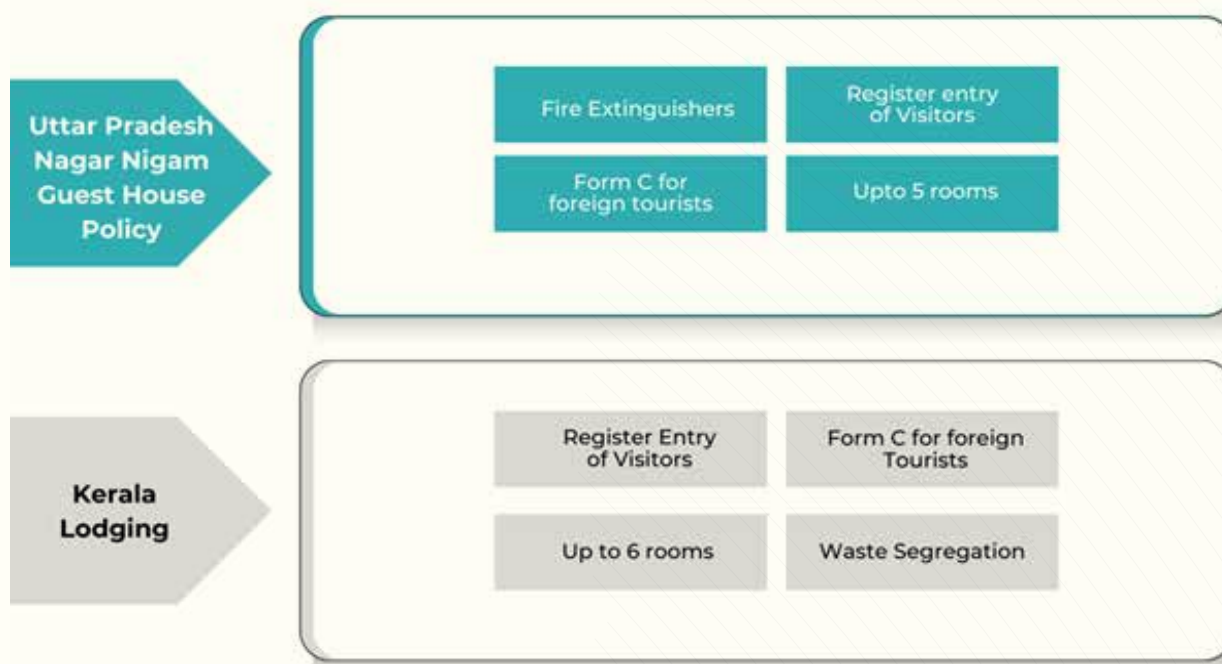


Figure 3.1.12: Compliance of the municipality scheme

3.1.13 Validity and Renewal of License by Municipality

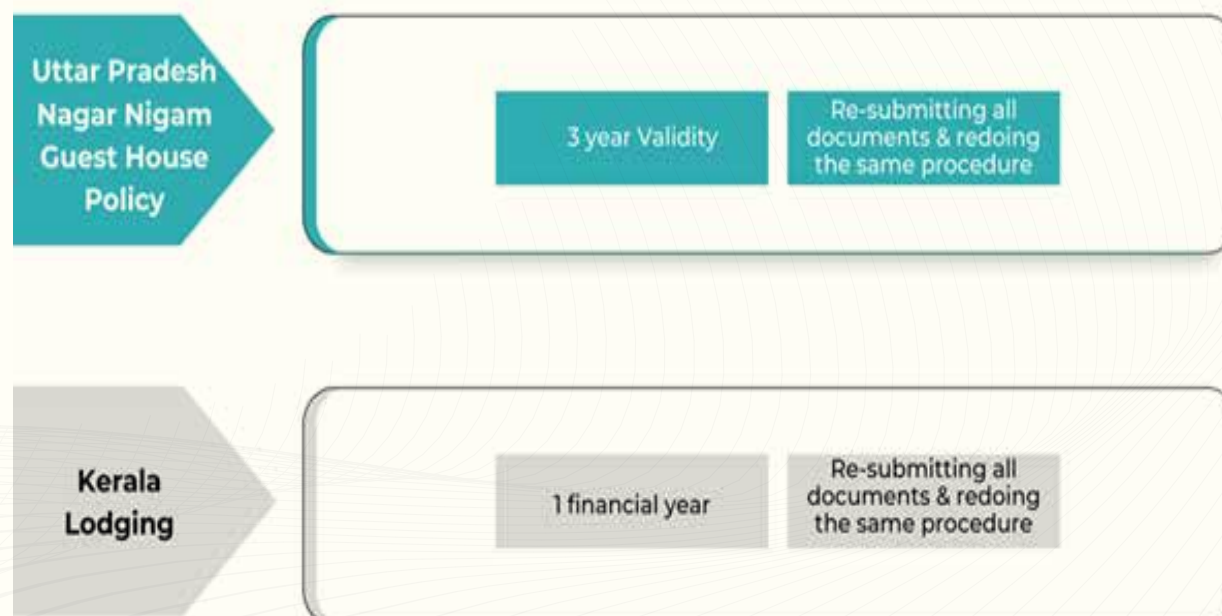


Figure 3.1.13: Validity and Renewal of License by Municipality

3.1.14 Incentive Based Scheme from Uttarakhand and Goa

While municipal bodies influence regulations in Uttar Pradesh and Kerala, Goa and Uttarakhand incentivise homestay owners through state-led schemes. These schemes offer financial support but require applicants to meet eligibility criteria and submit necessary documents.

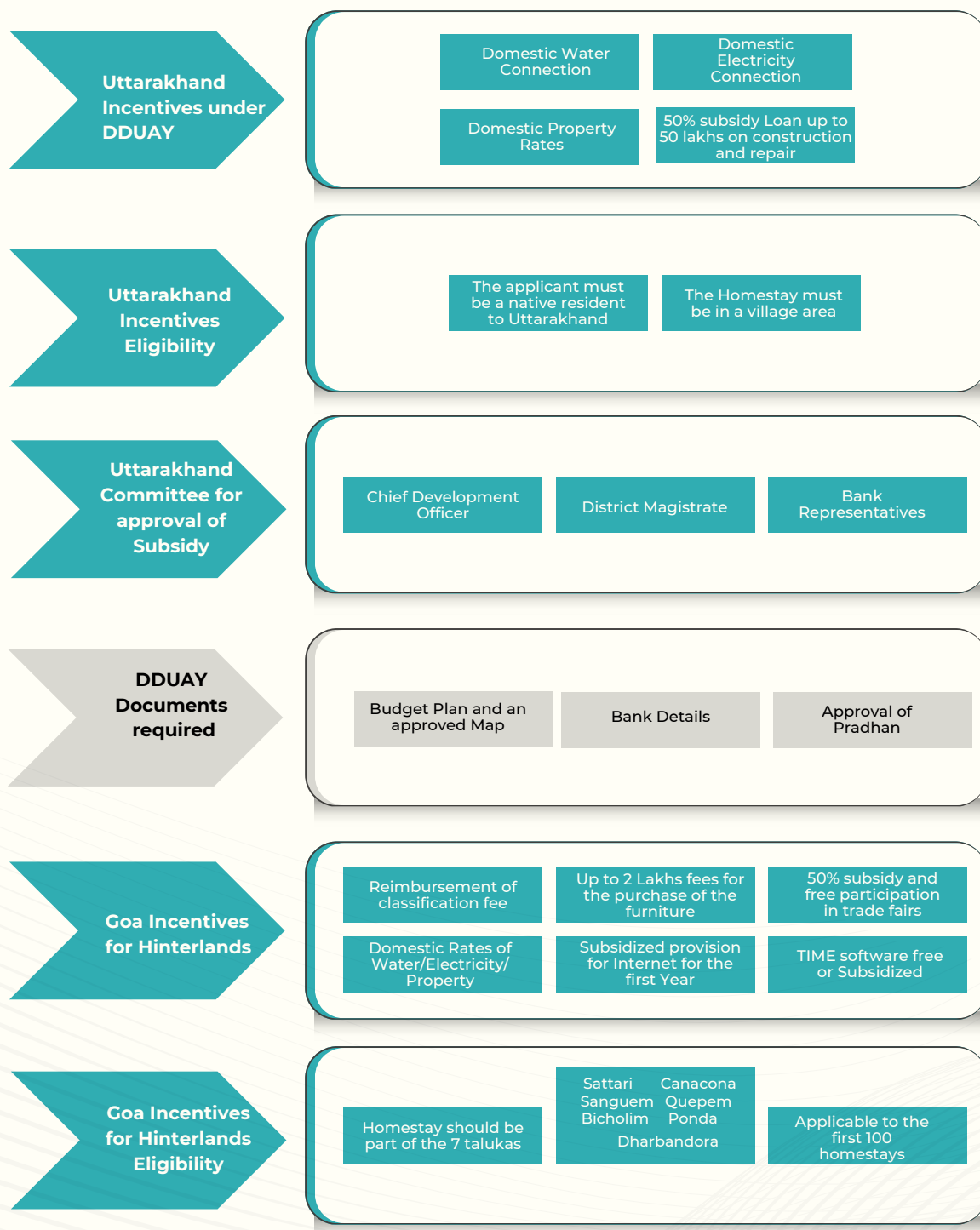


Figure 3.1.14: Incentive based scheme from Uttarakhand and Goa

3.2 Homestay Ecosystem Development across States

3.2.1 Incentives

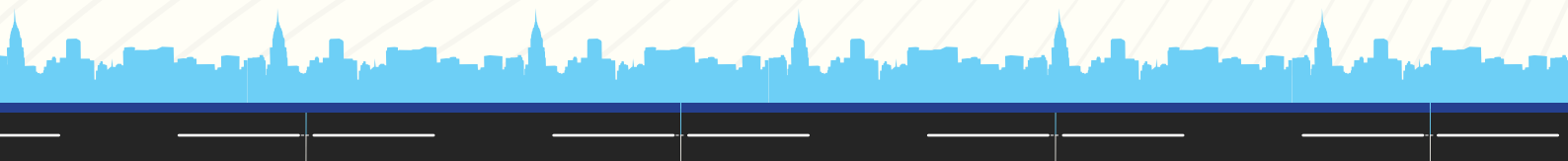
- a. **Uttar Pradesh:** The state does not provide any fiscal or non-fiscal incentives.
- b. **Uttarakhand:** The Uttarakhand government offers financial incentives to promote homestays, with distinct benefits for general and hilly areas. In general areas, homestay owners can avail of a capital subsidy of 25% of the cost of capital works, up to a maximum of ₹7.50 lakh. In hilly areas, this subsidy increases to 33% of the cost of capital works, capped at ₹10.00 lakh. Additionally, an interest subsidy is provided for the first five years, covering 50% of the interest payable on loans—up to ₹1.00 lakh per year in general areas and ₹1.50 lakh per year in hilly regions. While no classification basis applies to general areas, homestays in hilly regions are governed under the Micro, Small, and Medium Enterprises Policy, 2015³¹.
- c. **Kerala:** Homestays registered under the tourism department are eligible for domestic electricity rates³².
- d. **Goa:** Specific hinterland regions in Goa are eligible for incentives. This includes the application fee reimbursements for the first 100 homestays after one year, ₹2 Lakh subsidy for furniture from government-approved vendors (processed within a year), selective participation in one domestic trade show per year along with 50% reimbursement (up to ₹50,000) for travel and accommodation expenses³³.

3.2.2 Capacity Building

- a. **Uttar Pradesh:** The *Gange Gramin Krishi Prayatan Yojana*³⁴ was launched to promote rural homestays. It identified 330 homestays across 229 villages within designated tourism circuits. Under the scheme, village coordinators and homestay operators undergo training at the *Manyawar Kashiram Institute of Tourism Management*³⁵.
- b. **Uttarakhand:** The government organises training camps in Dehradun and district headquarters for homestay operators. Further, they also have MoUs with various OTAs to execute capacity-building programs across different regions in the state.
- c. **Kerala:** While the Department does not engage in capacity building activities, the Kerala Homestay and Tourism Society (HATS), a non-governmental organisation representing over 1,000 homestays, plays an active role in training and support. In case of conflicts with guests, HATS members utilise WhatsApp groups for swift resolution, including coordinating with local police when necessary.
- d. **Goa:** The Department has collaborations with several OTAs to provide capacity building training across rural and urban areas in the state.

3.2.3 Marketing

- a. **Uttar Pradesh:** The state focuses on cluster promotion; district-specific—guest house operators are contacted based on room availability during surges in tourist demand due to events. However, no formal mechanisms for cluster promotion currently exist.



- b. Uttarakhand:** Cluster promotion is driven by community networks formed by homestay operators. For instance, the Kanatal region has major collaborations and shared networks, whereas, in Bhimtal, homestays operate individually with minimal cooperation. However, limited government support for cluster promotion has led many homestay owners to join small and medium hotel associations for problem-solving. Additionally, the state recently launched the [Uttarastays](#) portal to promote and amplify visibility for registered homestays in the state.
- c. Kerala:** The state has a homestay-specific website that lists classified homestays with details, photos, and classification levels. Further, subsidies are available for operators purchasing marketing fair stalls, based on District Tourism Promotion Council approval.
- d. Goa:** The Department of Tourism regularly participates in domestic and international travel marts for destination/cluster promotion as well as promotion of homestays.

3.3 Challenges faced by Operators, Regulators and Community Members

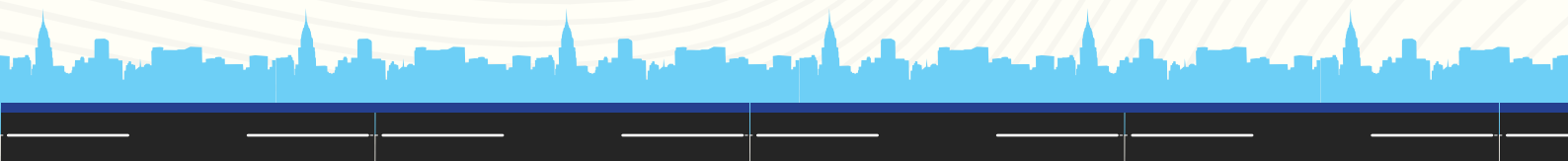
The regulatory landscape across these states presents a range of challenges for homestay operators, regulators, and local communities. These challenges could significantly hinder the sector's ability to achieve its full economic potential, as outlined in the earlier sections of this report. A comprehensive understanding of these regulatory obstacles is essential for developing effective policy interventions. This section first examines the challenges faced by homestay operators, followed by those encountered by regulators, and finally, the concerns of the broader community.

3.3.1 Challenges faced by Operators

Homestay operators encounter challenges across various regulatory aspects, including registration, classification, access to incentives, capacity-building initiatives, and compliance with Form C requirements. Beyond regulatory hurdles, operators also struggle with broader ecosystem-related issues.

Key challenges have been highlighted below:-

- a. Multiplicity of Policies:** In many states, homestay operators face challenges due to the existence of multiple policies governing registration and compliance, leading to confusion regarding the appropriate processes. For instance:
 - i. Uttarakhand:** Homestay schemes such as AGAY³⁶ and Deen Dayal Upadhyaya Grih Awas Yojana (DDUGAY)³⁷, the latter being a financial incentive programme for home construction, are applicable.
 - ii. Uttar Pradesh:** Schemes such as Incredible India B&B and Homestay Scheme (federal level), Paying Guest Scheme, and Guest House Scheme are applicable.
 - iii. Kerala:** Homestays fall under both the Department of Tourism's classification scheme and the Municipality's lodging licence requirements.
 - iv. Goa:** In 2022, recognizing the struggles of operators to start and profitably run their businesses, the Department of Tourism, Goa passed the Ease of Doing Business (EoDB)



order³⁸ to reduce the compliance burden. Further, in 2023, the Department notified the Homestay and B&B Policy³⁹ which requires multiple documents for registration of homestays, which was not in line with the EoDB order. This has left operators confused, given the different requirements of registering with the Department. Moreover, due to this complexity, many operators remain unaware of the benefits offered by newer policies and continue to renew their registrations under outdated regulatory frameworks.

Operators also often find themselves navigating a labyrinth of registration requirements—visiting multiple offices, submitting an extensive array of documents, and enduring lengthy approval processes that can span from a period of two to six months. This complex regulatory landscape not only creates confusion but also severely delays the issuance of registration certificates. This highly restrictive framework underscores the myriad obstacles microentrepreneurs must overcome to establish a homestay. Drawing on insights from the recently released Economic Survey 2025—which advocates for states to adopt a ‘get out of the way’ approach⁴⁰—the need for simplification is both timely and critical. By reducing excessive regulatory intervention, the survey argues that the operating environment for small business operators can be markedly improved, enabling them to focus on growth and innovation rather than administrative compliance.

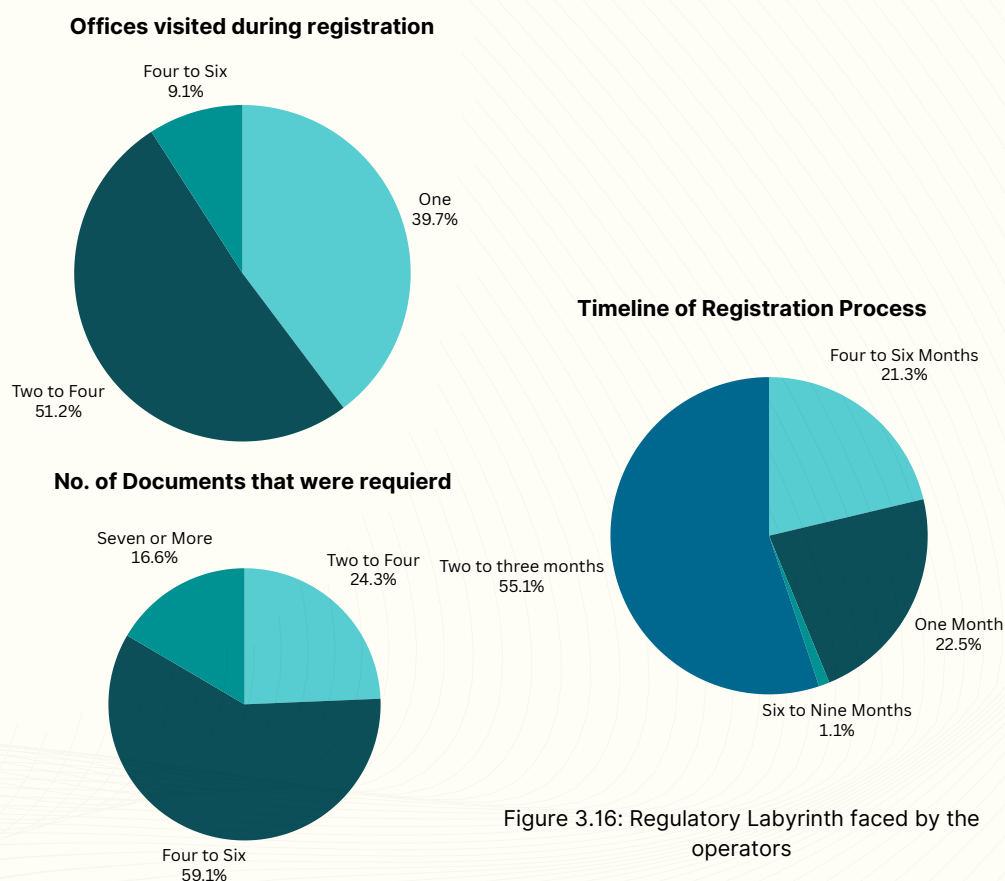


Figure 3.16: Regulatory Labyrinth faced by the operators

Figure 3.3.1: Regulatory Labyrinth faced by the operators

Source: On ground surveys.

- b. Lack of Access to Incentives:** Nearly 70% of respondents reported either a lack of awareness regarding available incentives or difficulties in accessing them. For instance, in Uttarakhand, despite the existence of schemes such as the Deen Dayal Upadhyaya Grih Awas Yojana (subsidy for construction of homestays), delays in disbursing the subsidy persist even after several years of construction. Conversely, in Kerala, Goa, and Uttar Pradesh, the absence of a dedicated financial incentive for launching homestays means that many operators are unable to repair or construct their facilities. Moreover, all four states face issues with non-fiscal incentives. The electricity and water departments in these states often refuse or deny the domestic connection incentives provided by the tourism department, instead charging commercial rates. Therefore, the unsustainable cost burden forces many operators to close their homestays.

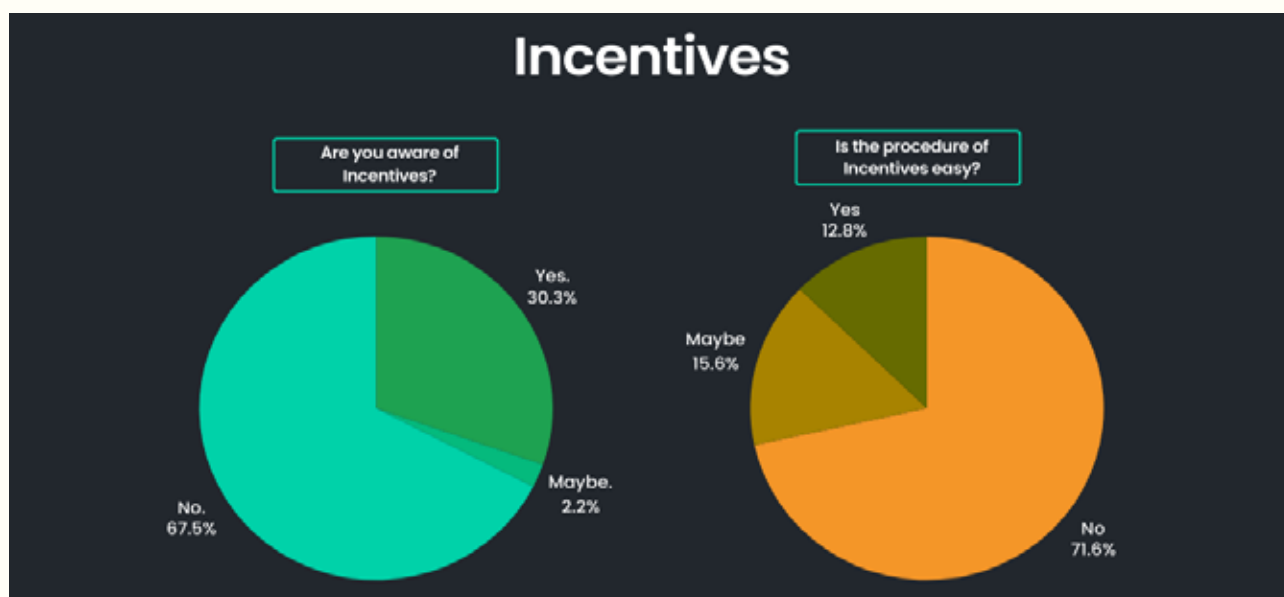


Figure 3.3.2: Awareness and access to incentives by operators

Source: On ground surveys.

- c. Limited Training Programmes:** Despite the introduction of new training initiatives in multiple states, including Uttar Pradesh, these programs suffer from limited awareness and accessibility. Over 70% of respondents reported either being unaware of these initiatives or not attending the training sessions. Moreover, existing training programs primarily focus on standardised topics such as hospitality and hygiene, with little emphasis on the unique selling propositions (USPs) that could enhance local tourism. As a result, homestay operators are often unaware of how to leverage their cultural heritage and regional assets to attract visitors. For instance, homestay owners with agricultural land remain largely uninformed about the potential of organic farming as a distinctive tourism offering. Additionally, digital literacy training is almost entirely absent, limiting operators' ability to expand their market reach. Consequently, many homestay operators in Uttar Pradesh and Uttarakhand continue to rely on government-arranged guest bookings, leading to low occupancy rates. To address these gaps, states such as Uttarakhand and Goa have begun collaborating with online travel agencies (OTAs) to enhance training programs. These partnerships have enabled more comprehensive and targeted training modules, equipping homestay operators with the skills necessary to effectively market their offerings, improve guest experiences, and achieve greater financial sustainability.

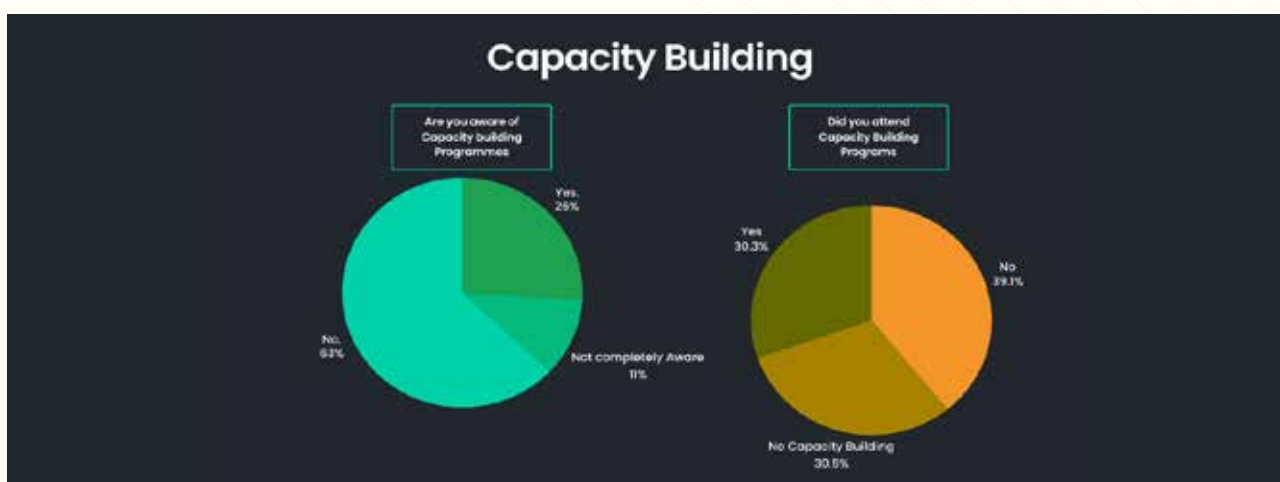


Figure 3.3.3: Awareness and Participation in Capacity Building Initiatives

Source: On ground surveys.

- d. **Limited Marketing Support:** Homestay promotion remains limited across states, placing the burden on operators to attract guests independently. While state-run websites and apps exist, operators report receiving little to no leads from these platforms, restricting their reach and occupancy rates. In Uttarakhand, the [Uttarastays](#) website was launched to promote tourism and homestays. However, despite many operators registering, awareness about the platform remains low, and based on on-ground research, several listed operators have yet to receive bookings. Similarly, in Ayodhya, an app was introduced in collaboration with an OTA to facilitate homestay bookings. Initial concerns over high commission rates were later overshadowed by disappointment, as the platform failed to generate visibility beyond the operators themselves. Kerala's tourism website includes homestay listings but lacks a direct booking mechanism, requiring tourists to rely on OTAs. Even then, operators must inform guests about the website themselves. In Goa, the tourism website does not feature a dedicated section for homestays, further reducing visibility and limiting growth opportunities for local operators.

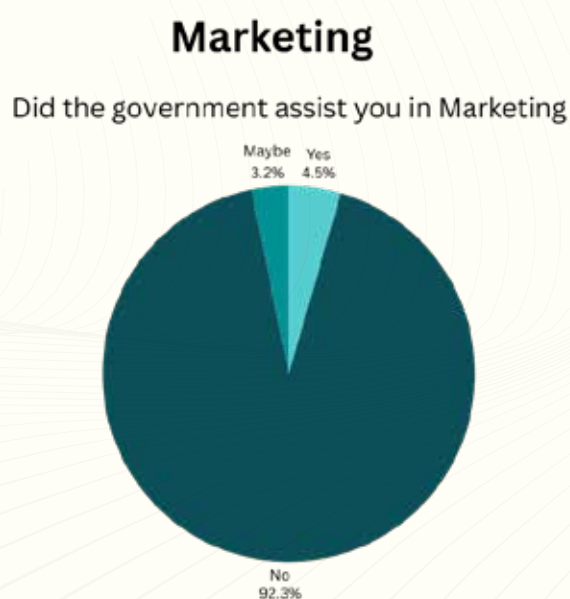


Figure 3.3.4: Government assistance in marketing homestays

Source: On ground surveys.

- e. Complication Classification Processes:** The classification process faces significant challenges, primarily due to a lack of awareness. 60% of respondents were unaware of the classification process, and over 80% did not perceive any benefits from obtaining classification. For instance, operators in Goa and Uttarakhand are often unaware of their classification status. In Uttarakhand, the classification is neither mentioned on the registration certificate nor reflected on official websites. The lack of perceived benefits is another major issue, with operators seeing little value in classification. Kerala has a structured classification process, but many operators prefer registering with local authorities instead. Further, the classification process in Kerala is extremely prescriptive and necessitates meeting granular criteria, making it onerous for operators. Therefore, in both Uttarakhand and Kerala, there is no clear advantage of one classification category over another, leaving operators confused about its purpose, as it does not impact visitor interest or pricing. Additionally, the current classification model applies state-wide standards rather than region-specific criteria, leading to compliance challenges. For example, in Munnar, homestays must have air conditioning to qualify for a 'Gold' or 'Diamond' rating, despite the region's cooler climate as a hill station.

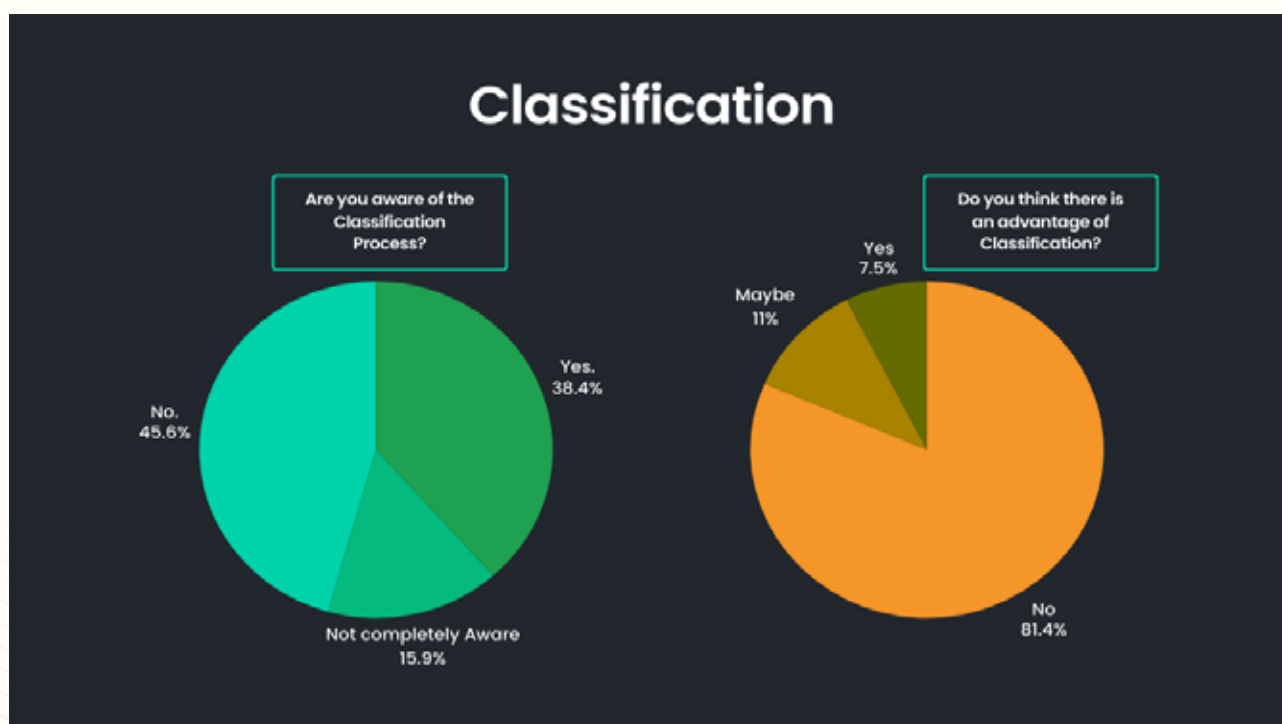


Figure 3.3.5: Awareness and Utility of Classifying Homestay Operators

Source: On ground surveys.

- f. Exploitation by Middlemen:** Confusion around the registration process has created an opportunity for middlemen and agents to step in, leading to increased operator costs. Nearly 50% of respondents reported relying on middlemen for registration and daily operations.
- g. Lack of Awareness about Form C:** Operators hosting foreign guests must file Form C with the Local Intelligence Unit (LIU). However, a lack of awareness across all states has led to compliance issues. In Ayodhya, Uttar Pradesh, miscommunication from the LIU has resulted in homestay operators refusing to accommodate foreign guests.

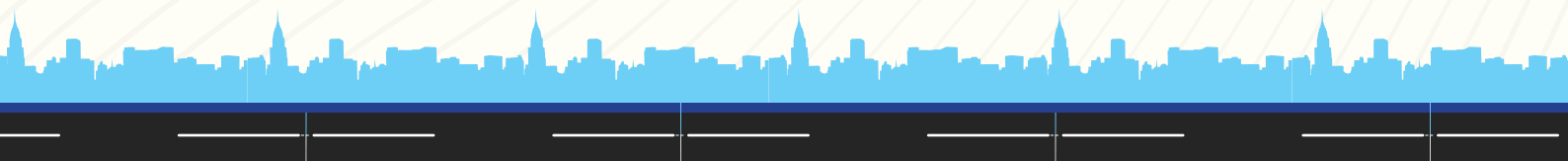
- h. **Infrastructural Issues:** Infrastructure gaps persist across all states, particularly in mountainous regions, where water and electricity shortages are common. Accordingly, operators often incur high costs by relying on agents to supply tourist water. Additionally, inadequate road infrastructure further deters tourist inflow, restricting access to homestays in remote locations.
- i. **Seasonality:** Seasonality is a major factor for most homestays; they typically remain empty in the off-season. For instance, Prayagraj sees the longest off-season between every Kumbh, leading homestays there to shut down and sometimes re-register before the next Kumbh.

3.3.2 Challenges faced by the Regulators

- a. **Unregistered homestays:** Onerous registration processes and lack of awareness around registration requirements discourage compliance among operators, giving rise to unregistered units. Many homestays across all states thus operate without proper registration, creating issues for both regulators and operators. Regulators attempt to shut down these unregistered establishments, but due to limited manpower and a complaint-driven approach, many continue to operate outside formal oversight.
- b. **Lack of training:** There is an absence of dedicated training programmes for regulators in states, which leads to widespread confusion. For example, in Uttarakhand, the Tourism Rest House is responsible for inspecting homestays yet lacks a clear understanding of the homestay model, resulting in unclear feedback to operators.
- c. **Lack of communication between different regulatory bodies:** Inter-departmental miscommunication is common. The electricity department of each state is an example, wherein the operators are promised domestic rates, but this information is not approved by or communicated to the electricity department. Further, there are collaboration issues between different regulators in the same process, leading to delays.

3.3.3 Challenges faced by the Community

- a. **Lack of Awareness about Homestays':** Based on our on-ground research, in states including Uttar Pradesh and some parts of Uttarakhand, the community is not aware of the concept of homestays and often confuses them with hotels. In interactions with local auto and taxi drivers, homestays are seen as just another hotel or guesthouse in all states except Kerala. The same was the case with shopkeepers. In Kerala, taxi and auto drivers and bus operators knew homestays were alternative accommodations. This lack of awareness was a major stumbling block to developing community-based tourism.
- b. **Lack of Incentives:** There are no incentives for community members who want to participate in or enter the homestay market in Kerala, Goa, and Uttar Pradesh. Interactions with local shopkeepers, farmers, and taxi operators showed a lot of interest in operating homestays, but they lacked financial resources. The lack of awareness about state government schemes for subsidised loans, as is the case in Uttarakhand, and aversion to loans, as is the case in Kerala, were a significant challenge for those interested in starting their homestays. However, when homestay operators create incentives for the community to participate in the operations of the homestays, like in the case of Lonikot Homestay



in Prayagraj and Seashell, Haris Beach Home in Kunnur, then community members living around the homestays do find the source of livelihood from the establishment. In places with hotels, like Kanatal in Uttarakhand and Fort Kochi in Kerala, local shopkeepers often interacted with homestay guests, selling to them directly. Local hotels and restaurants were frequently called for providing food for homestays.

- c. **Negligible Capacity Building:** Most homestay capacity-building programs, either by government or non-governmental organisations, are for operators. No capacity-building programmes assist the community in exhibiting its culture and sharing its traditions with tourists. They are not even trained to work in such establishments. Uttar Pradesh is said to launch training programs for guides in birdwatching and other eco-tourism activities, but these are generic to tourism sectors and not around homestays as such.

3.4 Opportunities for Homestays

- a. **Alternative Livelihoods and Rural Development:** Homestays create secondary income opportunities, especially in rural areas, through Skill Development and Destination Management Organisations. For example, in Kerala, agricultural homestays engage tourists in spice harvesting, offering a hands-on experience. In Uttar Pradesh, a homestay in a fishing village allows tourists to participate in fishing and boating, benefiting both the operator and the local community.
- b. **Tourism MSME Growth & Public-Private Collaboration:** Homestays align with the National Tourism Policy 2022 by fostering tourism MSMEs⁴¹. Further, the rising demand for unique travel experiences among youth presents an opportunity for homestay promotion through digital platforms. Exploring unique public-private partnerships with OTAs can also enhance homestay visibility, capacity building, and marketing.
- c. **Curbing Youth Out-Migration & Senior Engagement:** Homestays provide economic opportunities for young professionals in Uttarakhand and Uttar Pradesh, allowing them to stay with their families. In urban areas, they offer a meaningful occupation for seniors whose children have migrated for work or education.
- d. **Reviving Local Arts & Indigenous Activities:** Homestays support local artisans and performers by incorporating cultural experiences for guests. For example, in Kerala, homestays hire locals to perform traditional dance forms, collaborate with theatres, and introduce guests to toddy farming and animal care.
- e. **Women Empowerment & Financial Independence:** Many homestays in Kerala are women-led, providing financial independence and opportunities to explore ventures like pottery classes and social work.



4. PROPOSED RECOMMENDATIONS FOR THE HOMESTAY SECTOR

4.1 Adopt Best Practices from Across India on Various Components of Regulation:

The current ecosystem for alternative accommodations, particularly homestays, in India operates within a diverse regulatory landscape where states have tailored frameworks to balance operational ease with governance. Many states have simplified registration processes and introduced policy incentives to drive homestay growth while ensuring compliance.

For instance, **Goa** has significantly reduced bureaucratic hurdles by requiring only three essential documents—proof of ownership, applicant identification, and GST registration (if applicable)—for homestay registration. The state also offers a seamless digital registration and renewal process through a single online portal, with a five-year validity period for registration and no additional documentation required for renewal.

Kerala follows a structured yet efficient verification process through a quorum-based assessment. A team of four out of six designated officials, including the District Tourism Officer, inspects the property and issues the necessary NOCs.

For classification of homestays, **Chhattisgarh** offers functional classification with various categories such as heritage, urban, village/forest, and tribal homestays with concomitant flexibility regarding amenities to be provided.

In **Delhi**, under the National Capital Territory (Incredible India) Bed and Breakfast Establishments (Registration and Regulation) Act of 2007, classifies B&Bs as residential units. This provision allows operators to benefit from lower power, water, and property tax rates, along with deemed registration under the Incredible India B&B guidelines.

Other states have also integrated the convergence of their respective homestay incentives into broader policy initiatives. **Meghalaya** offers operators the opportunity to combine subsidies for national and state policies whereas **Gujarat** allows operators to reap benefits from their state solar mission and other policies, thereby fostering growth in the sector. **Maharashtra** has introduced a zone-based classification system for tourism projects, linking incentives to the property's location to promote balanced regional development. Meanwhile, **Uttarakhand** follows a structured, phase-wise incentive program tailored to the needs of both hilly and plain regions, ensuring equitable growth across the state.

Further, to advance sustainable and responsible tourism, **Kerala** introduced the Responsible Tourism Mission in 2008 which aspires to foster better economic benefits and the well-being of local people and communities. Its key aspects are conserving natural and cultural heritage and preserving the world's diversity. **Goa** also prioritises regenerative tourism through the Tourism Master Plan as well as the Homestay and B&B Policy, to revive ecosystems, communities, and cultures, and build a sustainable ecosystem.



4.2 Take concrete steps towards creating a model policy framework for homestays:

Building on these successful practices, it is proposed to have a model policy framework that states may adopt to harmonize regulations and establish a more resilient and inclusive ecosystem for homestays. This framework incorporates key components designed to simplify processes, encourage wider participation, and promote sustainable tourism growth.

4.2.1 Ease of Doing Business:

- a. **Registration and Renewal:** The registration process may be streamlined, requiring only essential documents such as ownership proof, applicant identification, and GST registration (if applicable, depending on the threshold). For renewal, the concerned establishment's renewal application may be processed upon payment of the requisite fee, with no additional documentation required⁽ⁱ⁾. The focus may be placed on reducing bureaucratic hurdles and eliminating unnecessary steps.
- b. **Establish a Single-window Clearance System for Homestay Registration:** A unified, digital platform may be established to integrate approvals across key departments, including tourism, panchayats, revenue, and utilities, to streamline processes and minimize delays⁽ⁱⁱ⁾. Provisional registration certificates may be issued before verification, allowing homestays to commence operations while necessary inspections are conducted⁽ⁱⁱⁱ⁾. Further, inter-departmental coordination may be strengthened to facilitate a smooth and efficient registration process.
- c. **Proportionate Registration Fees:** Fees and compliance requirements may be reasonable and proportionate to the size and category of the homestay, ensuring the financial viability of smaller operators^(iv).
- d. **Facilitate Processing:** Application disposal timelines may be capped at **30 days**, ensuring prompt registration and renewal processing, thereby improving service delivery and reducing delays^(v). Additionally, if the concerned Tourism Department fails to communicate a decision within the stipulated time frame, the application may be automatically **deemed approved** to prevent unnecessary administrative bottlenecks.
- e. **Establish Central Nodal Agency:** Establish a central nodal agency to streamline communication across departments and facilitate coordination between various stakeholders to ensure a unified approach to policy implementation, marketing, and resource allocation^(vi).

4.2.2 Digitalisation for Streamlined Operations of Homestays:

- a. **Develop a Digital Portal for Registration and Compliance:** A centralised digital portal may be developed for homestay registration, renewals, and compliance management^(vii). The portal may allow operators to submit documents, track applications, and receive policy updates and renewal reminders.
- b. **Introduce-Declaration Mechanisms:** To reduce administrative burden and enhance ease

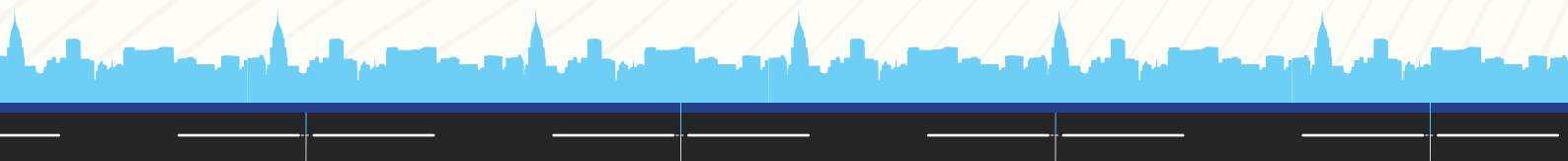


of doing business, homestay operators may be permitted to self-declare compliance with essential guidelines through a digital portal while obtaining necessary NOCs and undergoing inspection processes. ^(viii) Further, a randomised inspection mechanism may be introduced to ensure regulatory compliance and reduce administrative overheads.

4.2.3 Destination Management and Promotion through Homestays

The policy may emphasise developing and promoting lesser-known destinations by integrating the homestay sector as a key component in diversifying tourism across the state. In addition, a key priority may be creating distinctive, immersive experiences that are inherently linked to each destination's unique character to attract visitors.

- a. Targeted Marketing Campaigns:** Collaborative marketing initiatives and promotional campaigns undertaken by the state government may highlight the unique offerings of underdeveloped regions, with a focus on how homestays can provide authentic, community-driven travel experiences that attract both domestic and international visitors ^(ix). The following marketing strategy could be considered:
 - i. Collaborations with OTAs, and travel companies to increase visibility and drive bookings for the particular destination, attracting both domestic and international tourists.
 - ii. Engagement with travel influencers and content creators to showcase local experiences, heritage, and immersive stays associated with the particular destination to ensure broader audience reach and engagement.
 - iii. Integration of registered homestays into official marketing channels, including state tourism's website, app, social media platforms, establishments, outlets, printed promotional materials and brochures at travel marts and exhibitions etc. ^(x)
- b. Experiential Tourism & Community Involvement:** State policies may prioritise the development of experiential tourism models, ensuring that visitors have engaging activities—such as guided cultural experiences, workshops, and adventure trails—to ensure homestays provide authentic and enriching tourism experiences in addition to facilitating accommodation. ^(xi)
- c. Anchor Hub and Thematic Circuit Development:** State governments may diversify tourism offerings by stimulating demand in key segments through a strategic Anchor Hub and Thematic Circuit development mode ^(xii). This approach establishes:
 - i. **Anchor Hubs** as key tourist destinations with the potential to offer diverse tourism experiences and serve as gateways to surrounding regions, with homestays playing a vital role in enhancing the visitor experience.
 - ii. **Thematic Circuits** that connect multiple destinations through homestays based on shared themes such as spiritual, culture, adventure, wellness, ecotourism etc. These circuits should be **built around unique experiences**, ensuring travellers have **a deeper connection to the region**.



4.2.4 Incentives:

- a. **Destination-Focused Financial Incentive:** Financial incentives may be based on promoting tourism at the destination level rather than focusing solely on individual homestay amenities or classifications^(xiii). This will encourage operators to contribute to regional growth and attract tourists to underserved areas. A tiered incentive approach could be used.
 - i. **Tier 1 Destinations:** Areas with immediate tourism potential should receive top priority for development and promotional support.
 - ii. **Tier 2 Destinations:** Secondary areas with long-term potential should receive phased incentives and marketing support.
- b. **Non-Financial Incentives:**
 - i. **Project Support Organisations (PSOs):** PSOs may be introduced to support homestay operators, particularly in rural or remote regions. These organisations would provide technical assistance, project management expertise, and guidance on best practices to help new homestay operators successfully launch and maintain their businesses^(xiv).
 - ii. **Residential Utility Classification:** Homestays may be classified as residential units for utility purposes, ensuring access to residential rates for water, electricity, and property taxes. This will enhance the financial sustainability of homestays.^(xv)
 - iii. **Capacity Building:** State Tourism Departments may be encouraged to collaborate with private industry experts to organise capacity-building sessions and Homestay Business Summits. These initiatives may facilitate knowledge exchange, provide networking and collaboration opportunities, and impart best practices from top-performing homestays^(xvi).

4.2.5 Awareness Generation:

- i. **Information Education Communication (IEC) Campaign:** A national IEC strategy may be launched to raise awareness about homestay registration, compliance guidelines, and available policy benefits^(xvii).
- ii. **Local Facilitation Centers:** Dedicated facilitation centres may be established, particularly in rural and remote areas, to assist homestay operators with registration, compliance procedures, and access to financial and technical support^(xviii).

4.2.6 Creation of Homestay Clusters:

Promote the creation of homestay clusters within communities by leveraging local resources and existing infrastructure to create high-value experiential tourism products. This approach may also prioritise the sustainability of these clusters by promoting long-term viability through community involvement, environmental stewardship, and economic diversification to ensure that these clusters remain resilient and beneficial for both visitors and host communities^(xix).

(Please refer to Annexure 1 for the reference numbers)



5. CONCLUSION

Reports suggest that the homestay market in India reached market sales revenue of ₹4,722 Crore in 2024, positioning it as a fast-growing market with a projected NIDHI of 11% between 2024-2032. Multiple levers, including India's vast cultural and landscape diversity and the rising popularity of experiential, immersive travel among domestic and international tourists alike, are fuelling this growth. During this ascent, there is an undeniable opportunity to tap into this sector's incredible and unique potential for economic generation and sustainable tourism promotion.

This study assesses the realities on the ground, which showcase the success of the homestay model while also making a case for its formalisation through an effective and enabling regulatory framework. The framework offered has been put together, accounting for existing best practices and insights derived from primary research, and its adoption across states in India would create a robust ecosystem that ensures the Indian homestay sector continues its upward trajectory.

ANNEXURE 1

S.no.	Institution	Input
i	Goa	As per the EoDB order, Goa requires only essential documents such as ownership proof, applicant identification, and GST registration (if applicable depending on the threshold) for registration of homestays. Further, Goa has a <u>single online portal</u> for homestay registration and renewal, which does not require submission of any additional documents for renewal of such establishments.
ii	Goa	As per on ground research conducted by ISPP, Goa issues a registration certificate before verification and follows a single-window clearance for the certificate. The Tourism Department contacts all the necessary NOC departments to investigate the homestay after the certificate is provided.
iii	Goa	As per on ground research conducted by ISPP, Goa issues a registration certificate before verification and follows a single-window clearance for the certificate. The Tourism Department contacts all the necessary NOC departments to investigate the homestay after the certificate is provided.
iv	Goa	Under the Goa Homestay and B&B Policy, the registration fee for homestays and B&Bs is Rs 1000
v	Delhi	As per the <u>National Capital Territory (Incredible India) Bed and Breakfast Establishments (Registration and Regulation) Act of Delhi, 2007</u> , the timeline for disposal of the applications has been reduced to 30 days (from the earlier existing timeline of 90 days) under Ease of Doing Business for fast delivery of service.
vi	ISPP	As per suggestion received from NITI Aayog

vii	Goa	Goa has a <u>single online portal</u> for homestay registration and renewal, which also mentions the registration requirements. In addition, the portal does not require submission of any additional documents for renewal of such establishments.
viii	ISPP	As per suggestion received by ISPP from homestay operators during on ground research in the selected states
ix	ISPP	As per suggestion received by ISPP from NITI Aayog
x	Goa	Under Section 6.2 of the Homestay and B&B Policy, which outlines non fiscal support, provided by the Department of Tourism in Goa
xi	ISPP	As per suggestion received from NITI Aayog
xii	Andhra Pradesh	This input has been taken from the Andhra Pradesh Tourism Policy 2024-2029
xiii	Maharashtra	Under the Maharashtra Tourism Policy 2024, the state has categorized tourism projects zone-wise, and the incentives offered to homestays are determined based on the zone in which the property is located.
xiv	ISPP	As per suggestion received by ISPP from industry stakeholders
xv	Delhi	As per the <u>National Capital Territory (Incredible India) Bed and Breakfast Establishments (Registration and Regulation) Act of Delhi, 2007</u> , B&Bs are not classified as commercial units. They are subject to power, water tariff, and property tax rates applicable to residential or domestic use.
xvi	ISPP	As per on ground research and challenges identified for homestay operators during on-ground research in selected states and suggestion received by industry stakeholders
xvii	ISPP	As per on ground research and challenges identified for homestay operators during on-ground research in selected states
xviii	ISPP	As per on ground research and challenges identified for homestay operators during on-ground research in selected states
xix	ISPP	As per suggestion received from NITI Aayog

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ISBN Number : 978-81-967183-3-6