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**MEANINGFUL RELATIONSHIP OF ENTREPRENEURIAL
COMPETENCIES AND ECONOMIC SUSTAINABILITY IN
COMMUNITY-BASED RURAL TOURISM HOMESTAY
PROGRAMME**

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Abstract:

This study investigates the relationship between entrepreneurial competencies and economic sustainability in community-based rural tourism homestay programmes in the northern region of Malaysia. Familiar with the Resource-Based View (RBV) theory, the research explores how internal entrepreneurial competencies and skills serve as strategic resources that contribute to the economic sustainability of rural homestay operators. A quantitative research design was employed, involving 141 homestay entrepreneurs who responded to structured questionnaires. Data analysis was conducted using Structural Equation Modelling (SEM) to assess the measurement as well as structural models. The findings depict a significant positive connection between entrepreneurial competencies as well as economic sustainability, confirming the importance of these competencies as critical drivers for long-term financial viability in rural tourism. The results provide substantial implications for policy makers and tourism development agencies in enhancing the entrepreneurial capacity of rural communities through targeted training and support initiatives.

Keywords:

Community-Based Tourism, Entrepreneurial Competencies, Economic Sustainability, Homestay Programme, Resource-Based View Theory

Introduction

Tourism industry is one of the Malaysia's largest gross domestic product (GDP) contributor. In 2024, Malaysia's tourism industry significantly bolstered the national economy, contributing approximately RM198.7 billion to the country's GDP, which accounted for 10.5% of the total economic output (Travel & Tour, 2024). This marked a 1.6% increase over pre-pandemic levels in 2019. It was reported that RM 54 million of GDP generated in year 2024 was from Community-based Rural Homestay (CBRH) programme initiated by Ministry of Tourism, Arts and Culture (MOTAC) (MOTAC, 2025). Currently, the ministry aims to generate RM100 million in revenue from its homestay programmes, targeting participation from 1.6 million tourists (Jalidar, 2025). The statistics indicate a positive trend in the economic impact of community-based tourism (CBT) initiatives like the homestay programme. This CBT initiative has enhanced rural quality of life and fostered social capital (Tourism Malaysia, 2023; MOTAC, 2025; Mohamed & Aminudin, 2016).

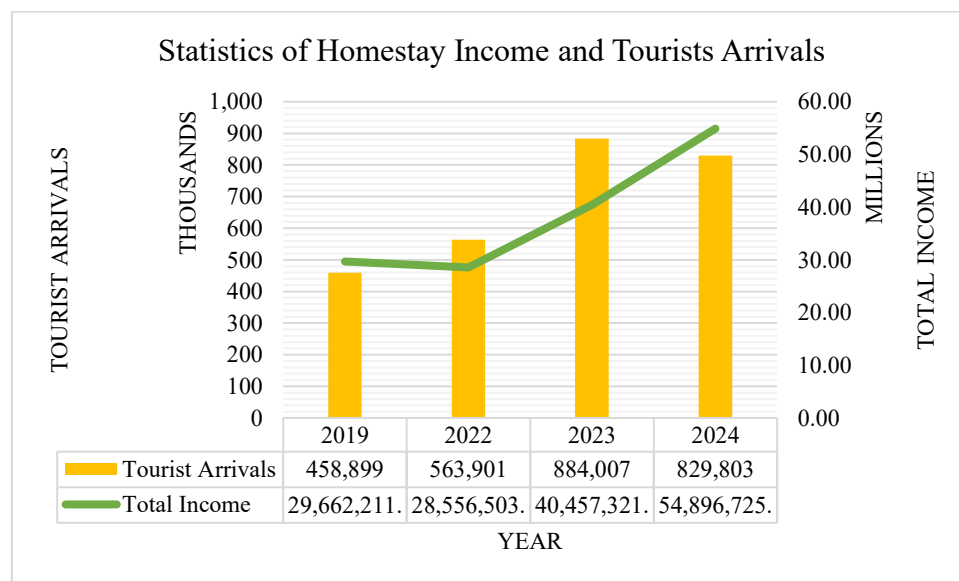


Figure 1: Statistic of Homestay Tourist Arrivals and Income

Source: MOTAC (2025)

Figure 1 above shows the statistic of homestay income and tourist arrivals in Malaysia reported by MOTAC (2025). The statistics reveal significant differences between the pre-pandemic and post-pandemic periods. In 2019, prior to the outbreak of COVID-19, the CBRH programme recorded around 458,899 tourist arrivals, generating RM29 million in income. However, in the immediate aftermath of the pandemic, the recovery in year 2022 was modest, with arrivals increasing to 563,901 but income remaining relatively stagnant, indicating cautious tourist spending. A stronger rebound occurred in year 2023, where arrivals surged to 884,007 accompanied by a sharp increase in income to RM41 million, reflecting a resurgence of both domestic and international tourism demand. Interestingly, in 2024, while tourist arrivals slightly declined to 829,803, total homestay income continued to rise significantly to RM55 million, suggesting higher per capita spending and greater participation in cultural and tourism-related activities. These trends demonstrate the resilience of the homestay programme in adapting to post-pandemic challenges and its capacity to contribute to the economic sustainability of rural communities despite fluctuating tourist numbers.

Although these statistics on the GDP are positive, the CBRH programme still facing several economic challenges such as poor leadership weakens sustainability (Horssen et al., 2024; Abas et al., 2022; Zulkefli et al., 2021); many operators lack entrepreneurial mindset (Chandhasaa & Pattanapanithipongb, 2024; Yong et al., 2024); and ineffective marketing due to limited technology use hampers visibility (Anuar & Qian, 2024; Khan et al., 2024; Kunjuran, 2022).

For instance, poor leadership in community-based tourism affected economic sustainability in rural homestays by weakening organization, limiting local participation, and reducing effective marketing. Weak or biased leadership diminishes trust, inhibits collective commitment, and creates uneven decisions, resulting in decreased tourist inflow and revenue. Without strategic direction by the leader, homestay operators lose motivation and hinder innovation and promotion of their products, ultimately threatening long-term financial viability and community welfare (Salleh et al., 2022; Kayat & Zainuddin, 2016).

In addition, homestay operators who lack skills in business management, digital marketing, or product development struggle to attract and retain guests, leading to low occupancy and earnings (Anuar & Qian, 2024; Gupta, 2024). For example, lack of these entrepreneurial skills or competencies weaken product innovation, digital marketing ability, and financial capability (Pusiran & Xiao, 2013). Consequently, homestays fail to generate sufficient revenue to sustain operations. Subsequently, limited technology usage among homestay operators hampers economic sustainability by restricting efforts in digital promotion, reservation efficiency, and innovation. Furthermore, without effective ICT adoption such as websites establishment, social media, or online booking platforms, homestays struggle to reach broader markets, attract guests, and manage operations efficiently (Anuar & Qian, 2024; Janjua et al., 2021). This technology and digital inabilities curb tourist inflow and revenue, reducing competitiveness and threatening the long-term viability of rural homestay initiatives (Janjua et al., 2021). Visitors also struggle to access homestay information (Gusti et al., 2024). Therefore, addressing these through improved leadership skills, entrepreneurship skills, and technology usage skills is key to economic sustainability (Nurfadilah et al., 2024; Suardana et al., 2024). These three essential factors play interdependent roles in guaranteeing the continuous achievement as well as resilience of the CBRH programmes.

Generally, sustainability is a concern for long-term viability and underlines the need for humanity to utilize available resources sparingly (Khan et al., 2024; Nurfadilah et al., 2024). Additionally, it plays a critical role in the continuous development of tourism initiatives (Pasanchay & Schott, 2021; Lavaredas et al., 2025). This fact was pointed out by Kasim et al. (2016) and Zainuddin, Nor & Ramli (2025) where they defined sustainability as the CBRH programme's capacity to maintain its assets via demand and resource management, as well as community welfare and balanced growth. Economic sustainability also involves reinvesting tourism revenues into community development and conservation efforts, ensuring that tourism does not deplete local resources (Spenceley et al., 2017; Ijatuyi, Yessoufu & Patrick, 2025). In relation to the CBRH programmes in Malaysia, there is a slight decrease in the number of active homestay operators as shown in Table 1.

Table 1. Comparison on Number of CBRH programmes and operators in Malaysia for 2023 and Mac 2025

No.	State	No. of Homestays		No. of Operators	
		2023	March 2025	2023	March 2025
1.	Perlis	4	4	42	42
2.	Kedah	15	12	206	174
3.	Pulau Pinang	10	11	155	155
4.	Perak	11	11	145	144
5.	Selangor	16	17	222	236
6.	Negeri Sembilan	8	9	130	98
7.	Melaka	9	9	157	152
8.	Johor	26	27	465	394
9.	Kelantan	8	8	122	141
10.	Terengganu	7	7	104	125
11.	Pahang	17	17	331	228
12.	Sarawak	49	65	706	800
13.	Sabah	34	39	441	511
14.	Labuan	3	3	80	80
	Total	217	239	3,306	3280

(Source: MOTAC, 2025)

Although the number of CBRH programmes increased but the number of homestay operators has reduced from 3306 in 2023 to 3280 in March 2025. This situation is a concern to the sustainability of the CBRH programmes as it may interrupt the business initiative of homestay that would support the livelihood of the communities. Past studies have shown that many operators lack business and entrepreneurial skills, which often leads to poor performance and financial difficulties (Mohamad & Nasir, 2019; Zulkefli, Che Aziz & Mohd Radzol, 2021; Nor, 2024). Recent research supports this view, emphasizing the importance of structured training. Yong et al. (2024) found that Artificial Intelligence (AI) - driven entrepreneurship programmes improved homestay sustainability in Malaysia, while Yin and Zhou (2023) highlighted that self-efficacy, influenced by social capital and place identity, positively impacts business success. These findings underline the need for entrepreneurial development. Therefore, this paper examines how entrepreneurial competencies influence the economic sustainability of CBRH programmes. Subsequently, the following section reviews the essential entrepreneurial skills contributing to economic sustainability of the CBRH programme. Then, it follows with the brief description of the methodology and results, the conceptual framework and potential future work.

Literature Review

This literature review section initially discussed the economic sustainability of CBT initiatives as well as the related underpinning theory of resource-based view (RBV). It then continued with discussion on entrepreneurial competencies as one of the crucial resources that contribute towards economic sustainability of CBT business initiatives.

Economic Sustainability Of Community-Based Tourism Initiatives

Economic sustainability covers the sustainable capacity of economic activities, fairness and equity distribution of benefits, employment and income generating opportunities, and improvement of poverty as always defined by United Nations World Tourism Organization

(UNWTO) (UNWTO, 2004). In addition, the United Nations Environment Programme (UNEP) and the World Tourism Organization (WTO) (UNEP, 2005; WTO, 2005) referred economic sustainability to the creation of wealth at various levels of the community and focuses on the cost-effectiveness with regard to economic activities. Consequently, Roberts and Tribe (2008) described economic sustainability as the capability of an organization to gain revenues from the available resources efficiently to improve local and national economic structures which can be preserved continuously.

In general, the economic influence may be seen when the tourism activities are continued to give advantage to the local community through job opportunities and side incomes (Hussin & Kunjuraman, 2014; KC, Lama, Dahal, Darjee & Tamang, 2025). The tourism small business initiatives are expected to make a sustained profit through products and services offered to the tourists (Gantait, Matthew, Chatterjee, & Singh, 2024) with the consideration of limited resources usage (Ijatuyi, Yessoufu & Patrick, 2025) such as the environment (Choi & Sirakaya, 2006).

CBT in Malaysia has seen several economic success stories (Ditta-Apichai, Muslim, Utomo & Anantamongkolkul, 2025). The Miso Walai Homestay in Kinabatangan expanded significantly, boosting local income and employment through eco-tourism and reinvestment via KOPEL Berhad, a cooperative established to strengthen various business activities by the homestay and its community (Ditta-Apichai et al., 2025). As a result, KOPEL unified villages into a cooperative, increasing annual income and supporting conservation. In Kelantan and Terengganu, agro-tourism homestays improved rural livelihoods through clustered development and better infrastructure (Abdullah et al., 2025). In Penang, improved marketing and tourism packaging enhanced visibility and earnings. Key success factors include community ownership, income diversification, reinvestment in local development, and capacity building demonstrate that well-managed CBT initiatives can sustainably support rural economies.

Some Related Theories

Resources within a business context are commonly categorized as either tangible such as financial and physical assets, or intangible, which include employees' knowledge, skills, experiences, organizational procedures, brand reputation, and company culture (Keeley & Benton-Short, 2019). Investing in human capital is identified as a vital approach to support continuous economic growth. In the context of CBT, Sriyani (2021) emphasized that communities must possess specific resources and competencies, as competitiveness capabilities which consist of capacity building, community collaboration, cohesiveness, and business management know-how significantly contribute to tourism business success. This aligns with Caldeira's (2003) conceptual distinction between capabilities, competencies, skills, and knowledge, arguing that organizations must develop processes to integrate individual skills into broader organizational competencies.

There are two theories that are highly related to the resources and human capital namely Sustainable Livelihood Framework (SLF) and RBV theory. The first theory is the SLF that was developed by Chambers and Conway (1992) and later refined by the Department of International Development (DFID) (1999). This framework suggested a holistic perspective for analyzing how individuals and communities use available assets to achieve sustainable development outcomes. Additionally, the framework emphasized five categories of livelihood assets consisting of human, social, natural, physical, and financial capital that interact within a vulnerability context shaped by external shocks, policies and institutional structures as

illustrated in Figure 2. Hence, using various livelihood strategies, these assets are transformed into livelihood outcomes including increased income, reduced vulnerability, and improved well-being (Scoones, 1998).

In relation to CBRH programme, the SLF is particularly relevant as the homestay operators rely on multiple forms of capital and they themselves are the essential human capital that contribute to the economic sustainability of the programme. Human capital could be represented by community leadership, entrepreneurial competencies, social media engagement and youth participation. Social capital is reflected in networking, trust, and collective participation, which are vital for the community-based tourism initiatives (Pasanchay & Schott, 2021). Natural capital includes cultural environmental attractions that form the basis of tourism experiences. Next, physical capital includes the infrastructure, facilities including ICT, while financial capital refers to income generated and employment opportunities from the tourism business activities. Eventually, these assets shape how homestay operators design their livelihood strategies that could contribute to the broader economic sustainability of the rural communities.

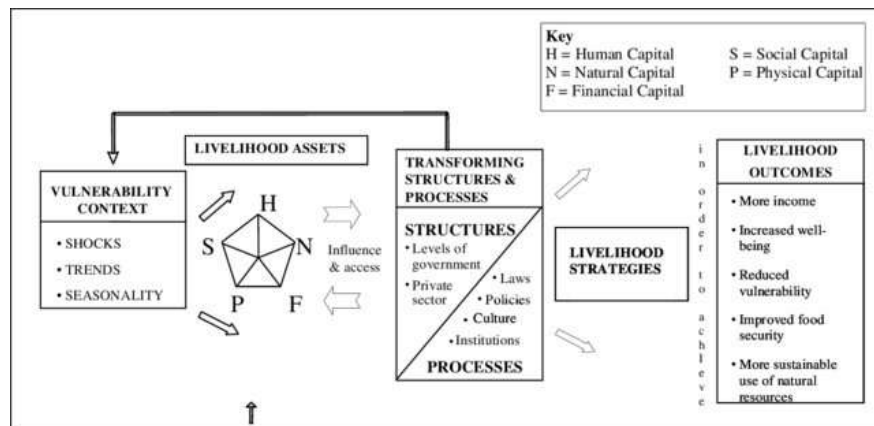


Figure 2: The Sustainable Livelihood Framework (DFID, 1999)

From the RBV theory, firms differ in performance since they possess different resource attributes (Lockett et al., 2009) and sustained competitive advantage can be achieved when unique resource particularly human capital are rare, valuable, as well as hard to copy. Wright et al. (1994; 2001) highlighted the strategic importance of people, proposing that a workforce with high skill levels and strong motivation has the largest capacity to form a feasible competitive advantage. These high skill levels includes entrepreneurial skills or competencies which could sustain the economic performance and competitiveness in community-based tourism business initiatives (Barney, 1991). In tourism, economic sustainability involves protecting the economic interests and living standards of host communities (Solís-Radilla et al., 2019; Pasanchay & Schott, 2021). This includes indicators such as contribution to GDP, employment opportunities, incime generation tourist spending, accommodation occupancy rates, and tourism business profitability (Cucculelli & Goffi, 2016; Rodríguez-Díaz & Espino-Rodríguez, 2016; Simarmata, Kusumastuti & Wijaya, 2024).

In addition to RBV theory, these entrepreneurial skills acquired by homestay operators are also based on Human Capital Theory which emphasizes skills and knowledge as drivers of performance and sustainability (Becker, 1993). On the other hand, community leadership as drivers of economic performance in community-based tourism is often underpinned by

Transformational Leadership Theory, which highlights vision and empowerment (Bass, 1990), and Social Capital Theory, which emphasizes trust, networks, and collective action for economic sustainability (Putnam, 1993).

In the current era of Fourth Industrial Revolution, technology and digital usage are essential. The technology usage including web technologies as part of the efforts to sustain economic performance in community-based tourism are linked to the Technology Acceptance Model (TAM), where the adoption behavior was explained by Davis (1989). Furthermore, this technology usage is also associated to the Diffusion of Innovations Theory, highlighting how communities adopt and benefit from innovations for sustainability (Rogers, 2003).

Entrepreneurial Skills And Competencies

Entrepreneurship is broadly identified as a vital driver of wealth creation as well as economic development, primarily due to its role in fostering innovation, growth, and structural transformation. Central to entrepreneurial success are entrepreneurial competencies, which encompass a dynamic blend of knowledge, skills, attitudes, and values that enable individuals to perform effectively and achieve business goals (Mitchelmore & Rowley, 2013). These competencies empower entrepreneurs to identify opportunities and mobilize resources to generate value, aligning with the RBV theory that emphasizes the strategic use of internal capabilities to gain competitive advantage and enhance organizational performance (Mohammad et al., 2013). Bird (1995) described entrepreneurial competencies as fundamental personal characteristics, like traits, goals, self-image, as well as social roles that influence the creation, growth, and sustainability of ventures. Complementing this view, Baum et al. (2001) and Man and Lau (2005) argued that such competencies are shaped by both inherent attributes (e.g., personality and attitudes) and acquired elements developed through experience, education, and training, thus reinforcing their importance in ensuring long-term entrepreneurial success. Summary of the past studies related to entrepreneurial competencies and economic sustainability is presented in Table 2.

Table 2: Past Studies Related To Entrepreneurial Competencies And Economic Sustainability In Tourism

No	Title	Author(s)	Journal	Methodology / theory	Findings
1.	Sustainable Entrepreneurship in Tourism: Examining The Competence Performance Relationship In Malaysia's Homestay Sector	Abdullah, Wan Nasir, Zulkifli, Mohamad & Rosli (2025)	Journal of Sustainability Science and Management	Quantitative Theory not mentioned	Negative relationship: Entrepreneurial skills and knowledge towards sustainability
2.	Achieving sustainable competitiveness of tourism dynamics with	Simarmata, Kusumastuti, & Wijaya (2024)	European Journal of Innovation Management	Qualitative RBV Theory	Tourism destination must utilize valuable, rare and inimitable (VRI)

No	Title	Author(s)	Journal	Methodology / theory	Findings
	resource-based view				resources and capabilities to sustain.
3.	The Issues and Challenges of Homestay Business Sustainability in Selangor and Perlis: In the Lens of Social, Economic and Environmental Factors.	Khan et al. (2024)	Educational Administration : Theory and Practice	Qualitative	By recognising the unique value of homestays and allocating resources accordingly are crucial for sustainable homestay programme.
4.	Community Homestay Management Assistance	Nurfadilah, Syah, Suci, Ginanjar, & Hamida (2024)	Advances in Community Services Research	Qualitative	Enhancing service quality and management in community-based homestays fosters economic sustainability by improving human resource capacity and attracting tourism.
5.	Sustainability of community-based tourism through the lens of homestays operators in rural area of Penang, Malaysia	Nor (2024)	Geografia-Malaysian Journal of Society and Space	Qualitative	Challenges in Economic sustainability are reliance on government funding, poor marketing strategies, and financial mismanagement, leading to in adequate income generation for operators.
6.	Entrepreneurs' competencies and sustainability of small and medium	Ismail (2022)	Cogent Business & Management	Quantitative	The findings show that entrepreneurs' competencies have positive and significant

No	Title	Author(s)	Journal	Methodology / theory	Findings
	enterprises in Tanzania. A mediating effect of entrepreneurial innovations				effects on entrepreneurial innovations, and the effects of entrepreneurial innovation on SME sustainability are also positive and significant.
7.	Entrepreneurial Competencies and SMEs' Performance in a Developing Economy	Sakib et al. (2022)	Sustainability	Quantitative Theory not mentioned	Organizing and leading, learning, relationship, and commitment competencies of entrepreneurs have a meaningful impact on SME performance.
8.	Competitive Advantages of the Relationship between Entrepreneurial Competencies and Economic Sustainability Performance	Aidara et al. (2021)	Sustainability	Quantitative RBV Theory	The study outcomes revealed that entrepreneurial competencies and competitive advantage emerged as significant predictors of economic performance for informal microenterprises in Senegal.
9.	The Effects of Homestay Capabilities on Homestay Performance in Sabah	Dawayan, Jr, Tanakinjal, Boniface, & Nasip (2021)	Journal of Responsible Tourism Management	Quantitative RBV Theory	The findings suggest that homestays need to emphasize on all the capabilities to be able to improve their performance, and be

No	Title	Author(s)	Journal	Methodology / theory	Findings
10.	A systematic literature review of rural homestays and sustainability in tourism	Janjua, Krishnapillai, & Rahman (2021)	Sage Open	Qualitative	competitive in the tourism industry. Important topics like homestay branding, homestay and entrepreneurship, homestays and information and communication technology (ICT) competency, homestay operator's training and development about sustainability—are rarely addressed in the existing literature.
11.	Sustainable Tourism Development and Economic Growth: Bibliometric Review and Analysis	León-Gómez, Ruiz-Palomo, Fernández-Gámez, & García-Revilla, (2021)	Sustainability	Quatitative Sustainable tourism development, economic growth	Research on the impact of sustainable tourism on economic growth has mainly focused on the areas of hospitality, green and sustainable technology, and environmental sciences. Therefore, it would be interesting to address new areas of study that extend the results obtained.

No	Title	Author(s)	Journal	Methodology / theory	Findings
12.	Community-based tourism homestays' capacity to advance the Sustainable Development Goals: A holistic sustainable livelihood perspective	Pasanchay & Schott (2021)	Tourism Management Perspectives		To increase CBT homestays' capacity to produce 'net positive' outcomes in the context of the SDGs, a collective, culturally-anchored and coordinated community approach will allow for the benefits from both natural-resource based livelihood activities, such as farming, as well as from homestays to be maximised.

Source: (Author's Compilation)

Numerous empirical studies indicate that there is a positive correlation between entrepreneurial competencies as well as firm performance and sustainability, with focus being on small and medium-sized enterprises (SMEs) (Aidara et al., 2021; Ismail, 2022; Sakib et al., 2022). For example, Aidara et al. (2021) found that entrepreneurial competencies and competitive advantage confirmed to have significant relationship to the economic performance of micro-entrepreneurs in Senegal. Furthermore, Ismail (2022) observed the SMEs entrepreneurs competencies towards the sustainability with mediating effect of entrepreneurial innovations. The findings revealed that there is positive relationship between entrepreneurial competencies and the SMEs sustainability, while entrepreneurial innovations found to be partially mediated the relationship between entrepreneurs' competencies and SMEs sustainability. Next, Sakib et al. (2022) studied six entrepreneurial competencies with SMEs performance and highlighted that the organizing and leading, relationship, and commitment competencies have the meaningful impact on the SMEs performance while the other two namely strategic and opportunity competencies found to have no effect on the performance.

In Malaysia, Abdullah et al. (2025) found a negative relationship between entrepreneurial skills and knowledge on the sustainability of CBRH programme, while Dawayan et al. (2021) emphasized the importance of strengthening homestay capabilities to enhance performance and competitiveness, grounded in the RBV theory. Similarly, Simarmata et al. (2024) argued that tourism destinations must leverage valuable, rare, and inimitable resources and capabilities for

sustainable competitiveness. Khan et al. (2024) stressed the need to recognize the unique value of homestays and allocate resources strategically. On the other hand, Nurfadilah et al. (2024) highlighted how improving service quality and management fosters economic sustainability through human resource development. A study by Nor (2024) has identified reliance on government funding, weak marketing, and financial mismanagement as key barriers to economic sustainability of homestay programme in Penang, Malaysia.

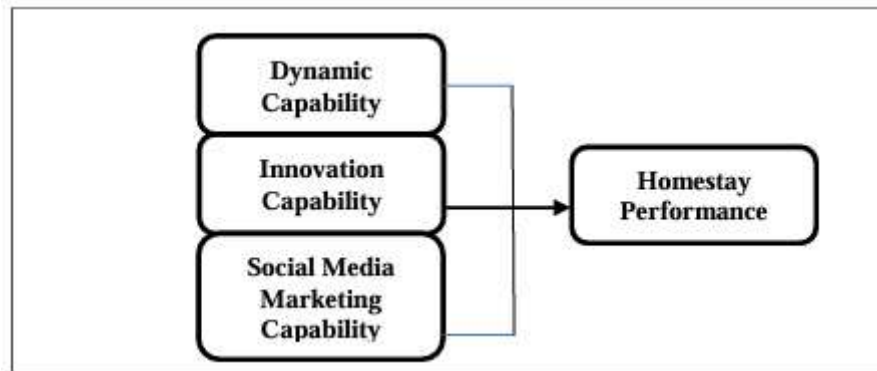


Figure 3: Framework of Homestay Performance using RBV Theory by Dawayan, Tanakinjal, Boniface, and Nasip (2021)

Likewise, Dawayan et al. (2021) provided a similar research framework as shown in Figure 3 on the homestay performance using RBV theory that consist of three capabilities namely dynamic capability, innovation capability, and social media marketing capability as the independent variables. This framework is beneficial as it offers a potential future study related to community-based tourism to examine other possible factors or capabilities as independent variables. Studies revealed that entrepreneurial skills alone do not guarantee sustainability in homestays (Abdullah et al., 2025), but building strong capabilities and using valuable resources are key for competitiveness (Dawayan, Jr et al., 2021; Simarmata et al., 2024). Common challenges include reliance on government support, poor marketing, and lack of training in areas like ICT and branding (Nor, 2024; Khan et al., 2024; Janjua et al., 2021). To achieve long-term sustainability especially in economic aspect, homestays need better management practices and collective, community-driven approaches (Nurfadilah et al., 2024; Pasanchay & Schott, 2021).

Despite growing recognition of entrepreneurial competencies as key contributors to the success and sustainability of CBRH programmes, empirical research in this area remains limited (Janjua et al., 2021). Therefore, this study seeks to examine entrepreneurial competencies as a core determinant of economic sustainability within CBRH initiatives, addressing a crucial gap in current literature. Drawing upon the insights obtained from the previous literature review, the proposed conceptual framework presented in Figure 4 illustrates the suggested connection between entrepreneurial competencies as well as economic sustainability.

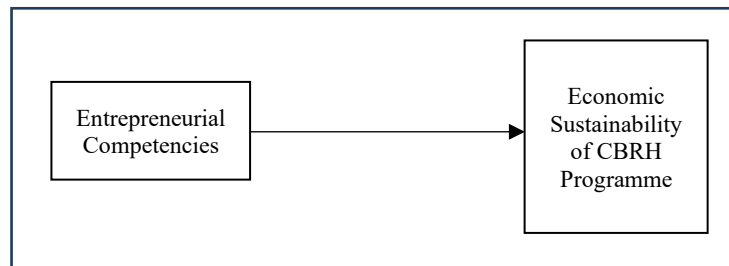


Figure 4: Proposed Conceptual Framework

Hypothesis Development

The RBV theory mentions that capabilities are among the primary factors that enhance performance and lead to sustainable competitive advantage (Barney 1991). Entrepreneurial competencies refer to a set of characteristics that should be present in the community in order for people to succeed in maintaining economic benefits. Hence, this study hypothesizes that:

H1: Entrepreneurial competencies have a significant positive relationship with the economic sustainability of CBRH programmes.

Research Methodology

Therefore, this research evaluates the connection between entrepreneurial competencies and the economic sustainability of CBRH programmes. Guided by a deductive research approach, the study begins with a theoretical foundation, from which a hypothesis is developed and tested through empirical data collection (Sekaran & Bougie, 2016). Figure 5 below illustrates the flow of the research methodology used in this research. Primary data were collected through a questionnaire survey involving registered homestay operators under the CBRH programme in northern states of peninsular Malaysia.

Subsequently, entrepreneurial competencies are evaluated as the key independent variable influencing the economic outcomes of CBRH initiatives. Next, homestay operators were chosen as the unit of analysis, as they play a central role in managing and sustaining these programmes. In addition, the data were collected via a structured questionnaire, which include sections on respondents' demographic profiles and measures related to entrepreneurial competencies and economic sustainability. As a result, the questionnaires were distributed via personal visits to ensure a higher response rate and more accurate data collection. Given that data were collected based on cluster sampling technique and at one time point, this research implemented a cross-sectional survey design.

For the analysis technique, the descriptive and inferential statistics were employed to analyze the collected data. Descriptive analysis summarized the characteristics of the demographic profiles (Sekaran & Bougie, 2016), while inferential techniques supported multivariate analysis to test the relationship between entrepreneurial competencies and economic sustainability of CBRH programmes. Next, Structural Equation Modeling (SEM) was applied, with Confirmatory Factor Analysis (CFA) used to assess construct validity (Hair et al., 2010).

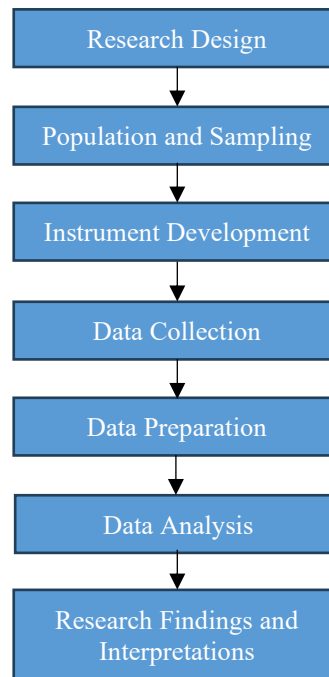


Figure 5: Flowchart Of Research Methodology

Results and Findings

Profiles Of Respondents

In the research, 141 respondents were involved. The majority were female (69.5%), while male respondents accounted for 30.5%. In terms of age distribution, most were aged 61 years and above (44.7%), followed by those in the 51–60 age group (29.8%), 41–50 years (17.7%), and 31–40 years (7.8%). With regard to occupation, over half of the respondents (55.3%) were self-employed, while others included pensioners (31.9%), private sector employees (7.1%), and government servants (5.7%). Respondents were categorized based on their level of participation in the homestay programme, distinguishing between full-time operators who manage the homestay as their primary source of income and part-time operators who engage in it as a supplementary activity. The distribution was relatively balanced, with 51.8% of respondents operating their homestay programmes on a full-time basis, while 48.2% participated on a part-time basis. Next, the educational background of the respondents varied, with nearly half having completed secondary school education (48.2%). This was followed by those with primary school education (19.1%), certificate holders (15.6%), diploma holders (5.0%), bachelor's degree holders (7.8%), and PhD holders (1.4%). A small number (2.8%) reported having no formal education. Table 3 below shows the frequencies of the respondents' demographics.

Table 3. Demographic of the Respondents

		Frequency	Percentage
Gender	Male	43	30.5
	Female	98	69.5
Age	31 – 40	11	7.8
	41 – 50	25	17.7
	51 – 60	42	29.8

		Frequency	Percentage
Main occupation	61 and above	63	44.7
	Government servants	8	5.7
	Private employees	10	7.1
	Self-employed	78	55.3
	Others (Pensioner)	45	31.9
Level of participation	Full-time	73	51.8
	Part-time	68	48.2
Level of education	Not schooling	4	2.8
	Primary school	27	19.1
	Secondary school	68	48.2
	Certificate	22	15.6
	Diploma	7	5.0
	Bachelor's degree	11	7.8
	Others (Ph.D.)	2	1.4

Data Analysis

Subsequently, data analysis was carried out using Structural Equation Modelling (SEM) through the usage of SmartPLS software. Initially, the measurement model was assessed by evaluating key indicators such as outer loadings, composite reliability (CR), Cronbach's alpha, average variance extracted (AVE), as well as the Heterotrait-Monotrait (HTMT) ratio. Discriminant validity and correlation analysis were also performed to examine the theoretical framework. Furthermore, to address potential common method bias, additional analyses were conducted, including variance inflation factor (VIF), predictive relevance (Q^2), coefficient of determination (R^2), as well as Goodness of Fit (GoF).

Table 4 presents the indicator loadings, CR, as well as AVE for the reflective constructs. In accordance with the threshold of 0.70 recommended by Hair et al. (2017), only items with satisfactory loadings were retained, leading to the removal of items EC3 and EC10 due to their low loading values. Following this refinement, both constructs satisfied the required criteria for reliability and convergent validity, with all CR values surpassing 0.70 and all AVE values exceeding the 0.50 benchmark. These outcomes prove that the constructs demonstrate adequate reliability and convergent validity.

Table 4. Measurement Model

Construct	Items	Loadings	AVE	CR
Entrepreneurial competencies	EC1	0.703	0.656	0.938
	EC2	0.750		
	EC4	0.850		
	EC5	0.811		
	EC6	0.772		
	EC7	0.888		
	EC8	0.855		
	EC9	0.836		
	ECOSUST1	0.883		
Economic sustainability	ECOSUST2	0.893	0.767	0.958
	ECOSUST3	0.883		
	ECOSUST4	0.918		

Construct	Items	Loadings	AVE	CR
	ECOSUST5	0.889		
	ECOSUST6	0.895		
	ECOSUST7	0.759		

Note: EC3, EC10 were deleted due to low loadings

Subsequently, the model's discriminant validity was evaluated. The signs on constructs presented in Table 5 show that they have sufficient or satisfactory discriminant validity (Fornell & Larcker, 1981).

Table 5. Discriminant validity using Fornell and Larcker Criterion

	Economic Sustainability	Entrepreneurial competencies
Economic Sustainability	0.876	
Entrepreneurial competencies	0.604	0.810

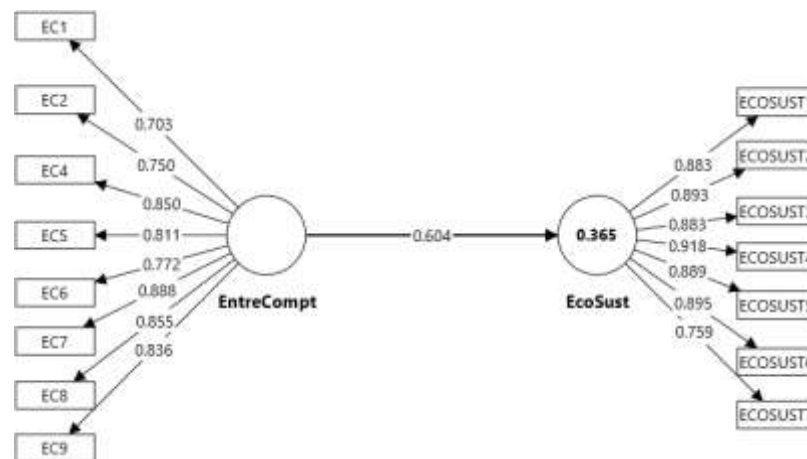


Figure 6: Structural Model of Entrepreneurial Competencies and Economic Sustainability

As illustrated in Figure 6, the path coefficient from Entrepreneurial Competencies (EntreCompt) to Economic Sustainability (EcoSust) is 0.604, suggesting that higher levels of entrepreneurial competencies among community tourism operators contribute meaningfully to improved economic sustainability. Hence, it confirms the hypothesis proposed. The coefficient of determination (R^2) for economic sustainability is 0.365, showing that entrepreneurial competencies explain 36.5% of the variance in economic sustainability outcomes. As a result, this main finding of positive relationship is summarised in Table 6. This confirms the pivotal role that entrepreneurial skills such as opportunity recognition, innovation, resource mobilization, and strategic planning play the role in guaranteeing the viability as well as longevity of rural homestay programmes. This study emphasizes the need for aimed interventions as well as capacity-building efforts to strengthen the entrepreneurial competencies of homestay operators, thereby enhancing their potential to sustain and grow economically within the tourism sector.

Table 6: The Main Finding Of The Study

Hypothesis	Statement	Finding
H1	There is a positive relationship between the entrepreneurial competencies of homestay operators and the economic sustainability of the CBRH programme.	Supported

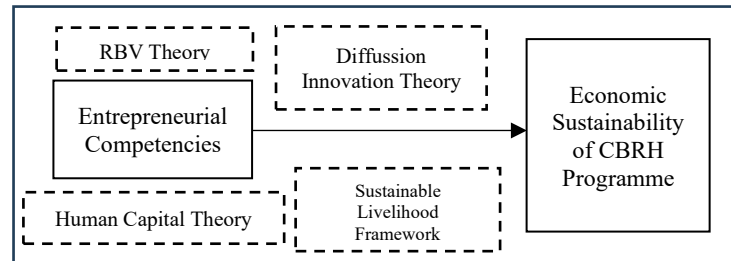


Figure 7: Proposed Research Framework

As a result of significant positive relationship between entrepreneurial competencies and economic sustainability of CBRH programme, a research framework is proposed in this study as shown in Figure 7. The positive effect of entrepreneurial competencies is supported by RBV theory, SLF, Human Capital Theory and Diffusion Innovation Theory that eventually able to sustain economic aspect of CBRH programme.

Conclusions

This research examined the influence of entrepreneurial competencies on the economic sustainability of CBRH programmes. In summary, the empirical investigation on the hypothesis revealed that the path coefficient supports the entrepreneurial competencies and was found to be significantly positive, thus contributing towards achieving the economic sustainability. Consequently, this finding alligns with the results from previous works by Ibidunni et al. (2018) and Yong et al. (2024) that identified entrepreneurial competencies is one of the most crucial factors in determine sustainability including the economic sustainability. Moreover, the results highlight that entrepreneurial competencies are a key determinant in continuing the economic viability of homestay initiatives, especially in rural settings where resources and opportunities may be limited. Operators who possess stronger entrepreneurial skills are better equipped to adapt to market demands, manage their operations efficiently, and explore new income-generating strategies contributing to long-term financial sustainability. Hence, entrepereneurial competencies as an independent variable is a strong contribution in this study. Another insightful contribution is the establishment of the research framework that emphasized the positive relationship between entrepreneurial competencies and economic sustainability. Furthermore, the findings of this study contribute to the enrichment of the literature on the rural tourism entrepreneurship discipline. Valuable implications that can be drawn are that policy makers and tourism development agencies can apply the results of this study to carry out necessary programmes to strengthen entrepreneurial competencies among homestay operators in the CBRH programmes or similar vicinity. Therefore, homestay operators need to be equipped with entrepreneurial competencies as a strategic approach to enhance economic resilience and ensuring the sustainability of CBRH programmes in Malaysia and similar rural contexts.

On the other hand, there are several limitations occurred in this study. One notable limitation is related to data collection process. During the process, several homestay operators expressed their fatigueness and showed low interest in completing the questionnaire survey. This was likely influenced by the demographic composition of the respondents where the majority of them were senior citizens. Their fatigueness may have affected the engagement mood, thus constraining the richness and depth of responses. In addition, some homestay operators were not available at their premises during the data collection process. In future studies, data collection process needs to be in relaxing situations to avoid poor participation of the respondents. Employing alternative data collection methods such as focus group discussions or participatory workshops may help to enhance respondent's engagement and provides deep understanding for the whole items in the questionnaire. In addition, future studies should take into account the communication preferences of homestay operators, since majority of them are in the rural or community-based tourism settings. Another suggestion is that future studies could consider integrating mixed methods to capture both quantitative and qualitative perspectives, thereby providing a more holistic understanding of community perceptions in CBRH programmes. Given the significant current proportion of older and part-time operators, future interventions should focus on equipping CBRH programme by including the young people from the communities with practical and entrepreneurial training and tools. The trainings should target the young people to engage more in digital and social media technologies as well as reminiscing unique cultural and heritage of the rural communities.

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