

PAYING GUEST BUSINESS IN BANGALORE: ENTREPRENEURIAL DRIVERS AND DIFFICULTIES

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Abstract

The term 'Entrepreneurship' has many definitions. Schumpeter (1965) associates it with individuals who exploit market opportunities, Drucker (1970) relates it with practice of starting new organizations and Hirsch (1990) characterizes an entrepreneur as someone who demonstrates initiative and creative thinking. Drawing from the French word 'Entreprendre' which means 'undertaking', we believe that Entrepreneurship in its crudest form is undertaking risk to run a business venture. Going by this conviction, we have done a study on the Paying Guest accommodation owners in Bangalore. According to us, they are 'Entrepreneurs'. Their business idea may not be creative, but they do undertake risks, invest carefully and go through all the challenges that any other Entrepreneur faces. This paper revolves around two research questions. (1) What motivates a person to start a Paying Guest accommodation business and (2) what are the challenges faced by these PG owners? To arrive at the answers, face to face interviews with P.G owners were conducted. Findings throw light on push and pull factors influencing PG owner's decision of taking up such a business venture. Challenges faced by these PG owners also have been explained.

I. INTRODUCTION

Entrepreneurs are individuals who exploit market opportunity through technical and/or organizational innovation(Schumpeter, 1965) . Although there are various definitions; one very important characteristic which remains across all definitions is that every entrepreneur undertakes risks, starts a new venture and exploits market opportunities. Recognizing the need and using it as an opportunity to create his own business is entrepreneurship in true sense.

Bengaluru being a cosmopolitan city accommodates diverse culture in its various dimensions. It is where innovation and technology never fail to support a niche business and the related market segments. Year on year, South Bengaluru sees an increase in educational hubs and allied facilities. Secure accommodation and friendly environment is a need for any person resorting to such education hubs and varied work culture. This paves way to the relevance of paying guest accommodations where such an augmented demand for the same is widely observed.

There is a cohort of businessman who make money by letting out their houses and other buildings. We call them Paying Guest entrepreneurs – entrepreneurs who are in the business of letting out houses for people to stay as paying guests. Although the business seems to be quite lucrative these entrepreneurs face lots of challenges. This paper is an attempt to understand the motivational factors driving

a person to get into this business and the challenges faced by them in Bangalore.

II. REVIEW OF LITERATURE

According to (Aranya, 2016), there is a detrimental increase in the provision for PG accommodation around the educational premise. Most Universities and Colleges in prominent cities rent homes and apartment buildings and offer them to students as hostels/ PG houses. As of now, a large number of students are living in PG accommodations and on rent. This is a major source of income for the business groups. With the increase in demand for the accommodations from students, there has been a new market entrance for businesses to deal with hostels and PG stayovers. One such successful example is of Wudstay, a premium hostel stays for students across cities in India. Due to the core importance of quality stay near educational hubs, Wudstay started to operate in the city of Kota and then it expanded its operations to varied cities including Bengaluru (Solutions, 2016). Providing accommodation and some level of support became the new issue for primary business concern. However, hostels share many of the problems such as lack of privacy, finances etc. PG accommodations appear to blend into the community better than hostels or boarding schools as they tend to appear smaller in structure, more personal space and better meal preparations. They appear to foster a more normalized approach to the community living with more personal freedom in the sense of privacy and less stigmatizations due to more normal living conditions (E, Muller, Winocur, & Barling, 2001).

III. OBJECTIVES OF THE STUDY

1. To identify the motivational factors that drive people to become 'Paying Guest Entrepreneurs'

2. To understand the challenges faced by PG Entrepreneurs in Bangalore.

IV. METHODOLOGY

A qualitative research method was best suitable to understand these entrepreneurs. Face to face interviews were conducted with 40 respondents from few select localities of Bangalore. The localities selected were Madiwala, SudduguntePalya, Koramangala and ChikkuLakshmaiah Layout and Shanthi Nagar. An Interview schedule with 39 questions was prepared. We visited the PG owners during day and evening time of the day. We clearly explained to them the purpose of the research and that the information they gave would be kept strictly confidential. In few places, the PG owners responded willingly and in some places, we did not get proper response.

Following are some of the questions we asked them during the course of their interview: -

1. Name and other personal details
2. Number of years engaged in PG and hostel accommodation business.
3. Legal requirements for registering PGs and hostels.
4. Facilities provided in their PGs and hostels.
5. Problems faced by PG and hostel owners.
6. Source of income other than PG.
7. Target group of customers.
8. Is their business running successfully?

Once we collected the responses, we analyzed them to get answers to our research questions.

V. DISCUSSION

While we documented all the responses to our questions, we realized that few responses clearly stood out. Some were repetitive and some were unique. Here are the excerpts from the Interviews.

A) On Motivational factors driving a person to become a PG Entrepreneur

1. “I was motivated by my friend’s P.G business. As my friend’s business was successful and he was enjoying more profits and incurred less expenses. This motivated me to start a PG business.

(A Male PG owner, age 31 who owns three PG’s)

2. “I was the only son of my father and when my father expired there was no source of income for the family. Hence, I renovated my old building and built a PG. I received a lot of help from my friends. This further encouraged me”

(A Male PG owner, age 24)

3. “In 2014, I fell sick I couldn’t continue my job with Infosys. I got an idea of starting a PG business but it was not possible for me to start in a short period of time. After a while, I came up with a good strategy and saved a lump sum amount and finally renovated my own building to start a PG business. I stayed with my family nearby my PG business building. I managed all my personal tasks like dropping my daughter to school, picking her back, taking her to tuitions and taking care of my husband along with my PG business.”

(A Female PG Owner, a multi tasker)

4. “I feel that in a city like Bangalore there are many people from various diversities. All people around/across the country would like to reside here for quite a while as it is a tourist place and this leads the tourists and travelers to stay back in Bangalore and hence they mostly prefer to stay back in PG. Colleges and Universities are the main source of our customers. There are many workers in need of PG. This need is one of my motivating factors and has led to success in my business”.

(A Male Entrepreneur age 32)

B) Objective: - To understand the challenges faced by PG entrepreneurs

1. “I faced the challenge of non-availability of customers, the expenses incurred were more than the income and there was a high competition and till now still exists”.

(A Male Entrepreneur running business for 6 years and age 36)

2. “The biggest challenge faced by me is procuring legal requirements and according to me starting a Paying Accommodation /Hostel requires many licenses which are difficult to procure”

(A Female Entrepreneur who migrated from a different city to Bangalore to start a PG business.)

3. “The only difficulty faced by me is noise pollution which also leads to low retention rate”

(A Male Entrepreneur who runs more than 7 PG’s)

4. “The challenges Faced by me are non-availability of customers, high competition and high expectations of customers”.

(A Male Entrepreneur, age27)

5. “The major challenge faced by me is to communicate with the customers due to language barrier”

(A Female Entrepreneur with Primary Educational Qualification)

6. “My paying guest accommodation/hostel is not located in the right area. It is surrounded by residential houses where there are many restrictions to be followed”

(A Male Entrepreneur who has 7 years of experience in running PG Business)

7. “The major challenge that I am facing now is lack of availability of labor and cooks”

(A Male Entrepreneur from Anantapur, age 34)

8. “Financial problem is the biggest challenge which I am facing now.”

(A Female Entrepreneur, age 29)

5. Findings

Some of the push factors are -

1. Financial difficulties forcing one to find an alternative source of livelihood is a prominent factor.

2. Physical disability is a factor which pushes one to take up this sort of business where less movement is needed.

3. People with Communication barriers and less professional/educational qualifications tend to take up this sort of business.

Some of the pull factors are –

1. Not requiring much hard work and networking, the business is comfortably done by being at home.

2. The business allows women to multitask, thus taking care of family and business happens together.

3. The fact that Bangalore sees a large influx of migrating population from different cities in the form of students and job seekers opens huge opportunities for this business. This lucrative business proposition is a very important pull factor.

4. While the business model is simple and self-sustaining, it gains more popularity as friends who have such businesses influence the others. The ones who are successful make money and seeing them the others get inspired.

VI. CHALLENGES

1. Competition is one of the main challenges faced by most of the PG entrepreneurs. Due to this, retention rate of the customers is becoming low day by day resulting in discontinuing of their business.

2. At times when the rooms are empty, the fixed expenses remain and thus bringing down the overall

profits. Profits are irregular and cannot be anticipated. This affects the future planning.

3. Expensive services of cooks and other housekeeping staffs making it less cost efficient.

4. Working capital crunch is one of biggest challenge faced by PG entrepreneurs where there were not able to balance working capital requirements.

5. Non-availability of trusted wardens for providing security for PG accommodation business is one of the challenges faced by PG Entrepreneurs.

6. Lack of water supply for PG Accommodation business placed many difficulties for PG Entrepreneurs to continue their business.

7. Personal problems forced individuals to engage in Paying Guest accommodation and hostel business where they can satisfy the basic needs of family members.

Other Finding.

Most of the PG business is not legally registered and they are not paying taxes regularly. They also don't have Health Trade License. There is an illegal usage of LPG cylinder.

VII. CONCLUSION.

Emergence of Paying Guest (PG) facilities has its own merits and demerits. The scope for such amenities is endless. Some of the conclusions that are driven from the study include some of the challenges that PG entrepreneurs face and some of the pull factors that propel such a growth. Lack of proper water supply, inadequate hospitable facilities, unfriendly wardens, illegitimate administration etc. is some of the hindrances that PG setups must work on. The benefits of a cosmopolitan city like Bengaluru, the simplicity of the business model, the ease of administration, large money inflow etc. are some of the pull factors that lead to incredible growth

potential of such facilities. Thus, it is a good market to explore and venture out if modelled, set up, established and executed appropriately.

VIII. REFERENCE

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