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SCHOOL OF ARCHITECTURE URBAN PLANNING CONSTRUCTION ENGINEERING
Management of Built Environment

**Accommodation Sharing Economy of Rural Tourism Areas
in Karangasem, Bali, Indonesia**

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Author

Krisna Leo Parista

Sommario

Durante l'ultimo decennio, il concetto di sharing economy (economia collaborativa) si è diffuso rapidamente grazie dell'aumento di Internet, della tecnologia e delle piattaforme online. Bali, conosciuta come l'Isola degli Dei, è una popolare destinazione turistica. Tuttavia, sono presenti aree di turismo rurale di natura unica e cultura locale, ma non hanno raggiunto il massimo potenziale a causa della vicinanza al centro della città e della dipendenza dal governo.

Questa tesi mira a massimizzare il beneficio economico e sociale delle aree di turismo rurale a Karangasem, Bali, Indonesia, attraverso l'economia della condivisione degli alloggi. Essa inizia dalla partnership e porta ad investimenti finanziari.

Una tipologia di piattaforma consiste in quattro tipi di base, esaminati in base alla domanda e all'offerta. Nel caso della domanda, se gli ospiti affittano alloggi con denaro o meno, si farà distinzione tra piattaforme commerciali e non commerciali. Dal lato dell'offerta, se colui che ospita (host) gode di importanza o meno, saranno ulteriormente differenziate le piattaforme di qualità garantita in modo indipendente e quelle in modo non indipendente. Attraverso l'analisi, la tipologia più adatta è la "host-dependent commercial platform" (ad esempio Airbnb); in cui gli annunci di alloggio sono orientati al profitto e gli host contano come parte dell'esperienza culturale.

È necessario un investimento per mobilitare la partnership tra promotori di progetti (imprenditori o piccole e medie imprese), piattaforme di alloggio e investitori. Ci sono tre strumenti finanziari da analizzare: Venture Capital, Crowdfunding e Business Angels. Attraverso i tre casi di benchmarking rispetto al case study Karangasem, il miglior strumento finanziario è l'investimento in Venture Capital. Questa tesi utilizza varie letterature accademiche, articoli scientifici, riviste, siti Web, rapporti e altre fonti che arricchiscono la prospettiva dello studio.

Parole chiave: economia della condivisione di alloggi, turismo rurale, Karangasem, Bali, Indonesia, imprenditorialità, piccole e medie imprese (PMI), investimenti, strumenti finanziari, Venture Capital, Crowdfunding, Business Angel

Abstract

During the last decade, the idea of sharing economy has increased rapidly due to the rise of internet, technology, and online platforms. Bali, known as the Island of Gods, is a popular holiday destination. However, there are rural tourism areas that have the unique nature, culture, of the local but have not reached the maximum potential because of proximity to the city center and dependency on the government.

This thesis aims to maximize economic and social benefit for the rural tourism areas in Karangasem, Bali, Indonesia, through accommodation sharing economy. It commences over partnership and to bring in financial investment.

A typology consists of four platform basic types are explored based on demand and supply. On the demand side, whether guests rent accommodation with money or not will distinguish between commercial and non-commercial platforms. On the supply side, whether the host matters or not will further differentiate between independently and non-independently quality assured platforms. Through the analysis, the most suitable typology is “host-dependent commercial platform” (e.g. through Airbnb); in which the accommodation listings are profit oriented and hosts matter as part of cultural experience.

An investment is needed to mobilize the partnership between project initiators (entrepreneurs or small and medium-sized enterprises), accommodation platforms, and the investors. There are three financial tools to be analyzed: Venture Capital, Crowdfunding, and Business Angels. Through the three cases of benchmarking compared to Karangasem case study, the best financial tool is Venture Capital investment.

This thesis utilizes various academic literatures, scientific papers, journals, websites, reports, and other sources that enrich the perspective of the study.

Keywords: accommodation sharing economy, rural tourism, Karangasem, Bali, Indonesia, entrepreneurship, small and medium-sized enterprises (SMEs), investments, financial tools, Venture Capital, Crowdfunding, Business Angels.

1. Introduction

1.1 Overview and Approach

Sharing Economy Overview

According to the World Bank (World Bank, 2018), Indonesia is Southeast Asia’s largest economy with a GDP of USD 932.2 billion in 2016 and a total population of over 261 million inhabitants. Over the past decade, Indonesia has enjoyed steady economic growth and the trend of the sharing economy has entered the market. Sharing economy services are viewed positively by Indonesians. A research from (Nielsen, 2014) showed that 87% of Indonesians are likely to use products or services from others in a share community, just below China at 94% (see figure 1).

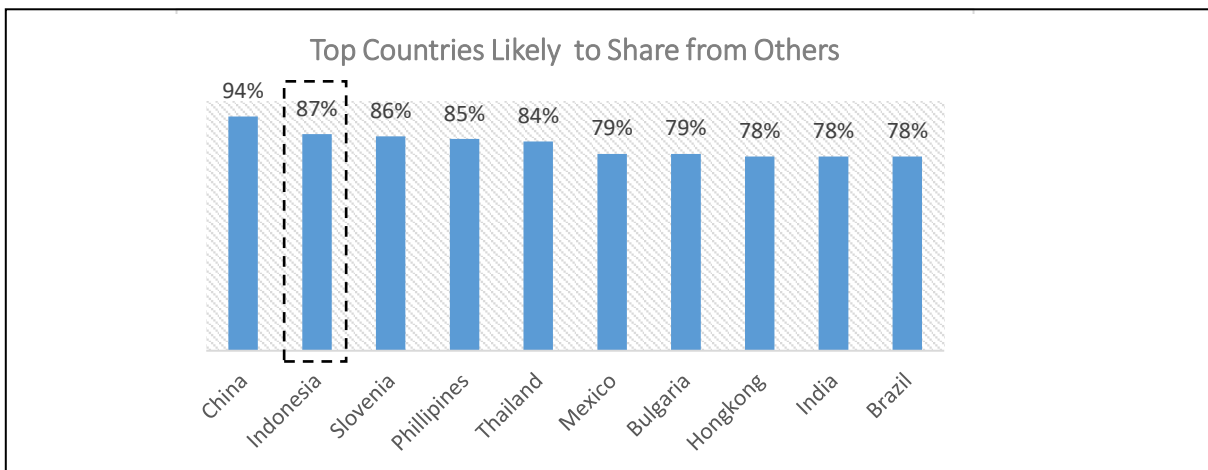


Figure 1 - Sharing Economy Overview

source: (Nielsen, 2014).

Whilst in Indonesia active social media users are 130 million and internet penetration is 143.2 million inhabitants: Urban inhabitants 72.4%, Semi-Urban 49.4%, and Rural 48.2%.

Accommodation Sharing Economy and Tourism

Sharing goods and services between individuals is nothing new in itself (European Parliament, 2017). However, due to the advanced development of technology, social media, and internet connection, the creation and marketing of accommodation online platforms has made sharing easier than ever and it has changed the way people travel.

The idea of sharing a space when the host is there, with an authentic experience in a unique place is definitely appealing. The table below shows the definition of accommodation sharing network from several key sources:

Table 1 - Accommodation Sharing Network Definition

DEFINITION	SOURCE
“New marketplaces that allow services to be provided on a peer-to-peer or shared usage basis; a platform where people can book rooms/accommodation and travel experiences.”	European Parliament Research Services (Juul, 2017)
“Sharing resources through a physical asset of monetized home, where someone rents out their own or a leased property for a profit. The leader of this market by a huge margin is Airbnb.”	PWC Report (PWC, 2016)
“Short-term online rental trading platforms; would use their direct access to connect hosts and guests around the globe to push for societal changes.”	Book (Dolnicar, P2P Accommodation Network, 2017)

Based on the definition above, the short-term rental accommodation provided by the platform are possible to boost the economy in rural touristic places where the bigger hotel chains are less willing to enter the market.

The opportunities and the threats

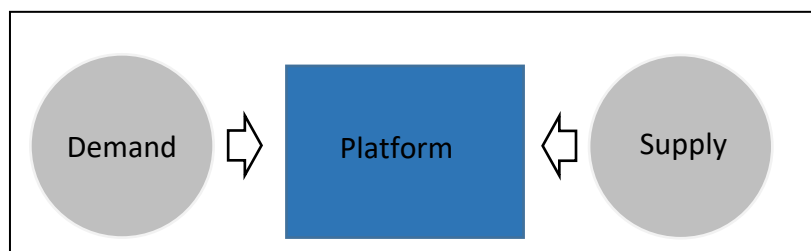


Figure 2 - Peer to Peer Model

Source : Peer to Peer Model (European Parliament, 2017)

The platform simply connects the demand (guests) and supply (hosts) of short-term rental (see figure 2). The increase of demand and supply has a positive impact on tourism as well as a negative one. With travel and tourism booming and giving significant effect to the economy,

it is critical that many communities get the benefit, even where not all the touristic places are created equal (AirBnB Citizen, 2018). There is the opportunity to promote areas that have authenticity but lack popularity. Thus, the accommodation online platform review and recommendation of a specific area has potential to boost its local economy. (Pesonen, 2015).

However, the accommodation sharing platforms are often associated with disruptive innovation. Its business model involves taking advantage of obtaining profit without being the owner of the property or employing operating staff (Bailey, 2017). While traditional hotels struggle with the environmental issue, labour law, tourism tax and fees and consumer protection, the accommodation sharing economy platform tends to violate the regulation. In the bigger context, there is the threat of tax evasion and unfair competition.

Investments / Financial Tools

Financial instruments are risk-sharing schemes shared through reputable financial intermediaries who are close to the recipients and are experienced in judging their needs. The financial tools for small medium-sized enterprises (SMEs) to be analysed are **Venture Capital, Crowdfunding, and Business Angels**. The purpose is to find the most suitable tool to finance the business' typologies applied and furthermore to discuss its correlation within tourism (Fintechnews , 2018).

Furthermore, this research consists of theoretical and empirical sections, and a review of the accommodation sharing economy and the financial tools best applied to fund the rural tourism case studies. The theory reviews the typology of accommodation sharing economy facilitators and the financial tools. The final intention is to determine and outline the specific accommodation sharing typology applied and the financial tools to develop the tourism area.

Aim and Objective

The purpose of the research is to thoroughly to analyse the existing and potential partnership between the government, a specific accommodation sharing typology and choosing the right investment/ financial tools, will bring economic and social benefit in the rural tourism area in Karangasem, Bali. The main key elements as follows:

- To define the typology of the accommodation sharing platforms being implemented, and to explore the key element/values behind the typology, and to define the most suitable typology for the case study.
- To analyse the most suitable financial tool to be implemented in the case study through comparison to the benchmarking comparison hold a purpose to develop economic and social benefit.

1.2 Questions and Sub Questions

- What is the most suitable typology of accommodation sharing economy platform to develop the rural tourism area in Karangasem, Bali?
 - Demand side: Do guests rent short-term accommodation with money or not? Which one will bring the most benefit to increase the accommodation sharing sector in the case study?
 - Supply side: Do hosts' matter or not? What are the trust and confidence factors to increase the credibility of the hosts to increase the accommodation sharing sector in the case study?
- What is the most appropriate financial tool that can be applied to finance the accommodation sector business? How can the accommodation sharing economy be implemented to rural tourism and derive maximum benefit?

1.3 Methodology

initial steps will be separating the main body of this thesis into 2 parts: the analytical research and the experimental research. The analytical research consists of literature review and discussion about typology of four accommodation sharing platforms, the financial tools, and the experimental research consists of case study in Karangasem, Bali, Indonesia.

In Chapter 1, the introduction develops from the general subject area of the accommodation sharing economy into a particular topic of tourism area. It established the scope, context, and significance of the topic as a rapidly growing trend in the last decade which since has changed

the landscape competition on the accommodation industries. It is supported by a set of questions regarding the accommodation sharing economy, the financial tools, and the regulation.

Chapter 2 evaluates the available literature and describes the features, success factors, the four typologies of the accommodation sharing economy and the financial tools that follow them. There are four typologies to be explored: host-independent commercial platform, host-dependent commercial platform, host-independent non-commercial platform and host-dependent non-commercial platform. The comparison of characteristics will be made to define the most suitable typology applied to the case study.

Chapter 3 focuses on three chosen financial tools that is applicable for Small and Medium-sized enterprises: Venture Capital, Crowdfunding, and Business Angels. It examines the definition, scheme, characteristics, comparison of characteristics, advantages and disadvantages.

Chapter 4 evolves three benchmarks in accommodation sharing economy projects with regards the financial tools applied: Venture Capital case study (Airbnb Yoshino Cedar House, Japan), Crowdfunding case study (Tribewanted in Sierra Leone, Africa), and Business Angels (Business angel case in Malaysia). These case studies are proven to bring benefit to the local community in the rural tourism area.

Chapter 5 focuses on the case study taken place in Karangasem Region, Bali, Indonesia. The case is chosen as the area has natural, cultural, water, and agritourism potential, but given the location is on the east coast it is less popular than the touristic places of south Bali. The case study highlights the existing state and a comparison of the accommodation sharing economy, and potential financial tools applied.

Chapter 6 states the conclusions and recommendations of the most suitable typology and financial tools applied in the area.

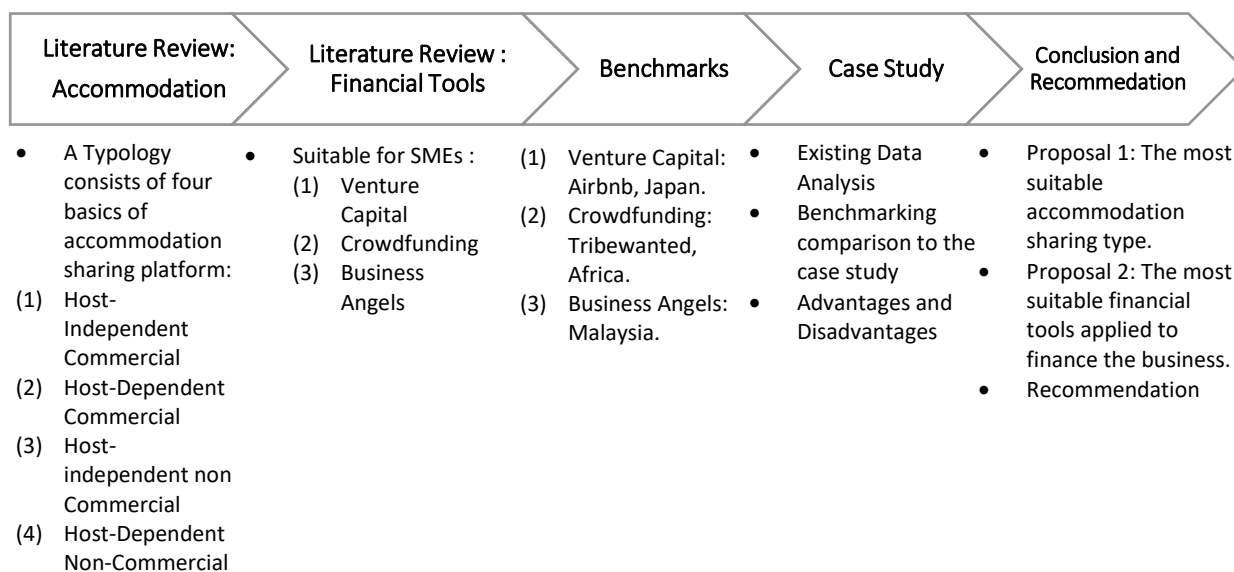


Figure 2: Methodology

Limitation

However, this thesis is limited only to the proposal of managerial concept without exact total cost needed to make the project come to reality, as this will involve architectural technical details and building or infrastructure interventions. The technical aspect needs a further separate survey and research, moreover it does not correlate to the main purpose of the thesis. Another limitation centres in the financial tools part. The characteristic is developed based on literatures and policies. The policy of Venture Capital, Crowdfunding, and Business angels are still considered new in Indonesia, some are less clear and still in development and revision over time. Therefore, even though the case study is in Indonesia, to fulfil any grey areas there are some critical policy characteristics taken from Europe as an assumption and reference that could enrich the perspective of the case study.

2. Literature Review: A typology of Accommodation Sharing Platforms

2.1 Supply and Demand side

In this thesis, typology of accommodation sharing platform will be useful to define which basic type of platforms bring the highest benefit to generate a self-sustaining rural tourism that will be discussed in Chapter 5: project case study in Karangasem, Bali.



Figure 2- Peer to Peer model

Source: Peer to Peer Model (European Parliament, 2017)

The core of accommodation sector typology is based on two dimensions: Demand and Supply (see figure 2). The Demand and Supply side focuses on:

1. Demand side: Do guests rent short-term accommodation with money or not? Which one will bring the most benefit to increase the accommodation sharing sector in the case study?
2. Supply side: Do hosts' matter or not? What are the trust and confidence factors to increase the credibility of the hosts to increase the accommodation sharing sector in the case study?

According to (Dolnicar, P2P Accommodation Network, 2017), there are four types of accommodation sharing:

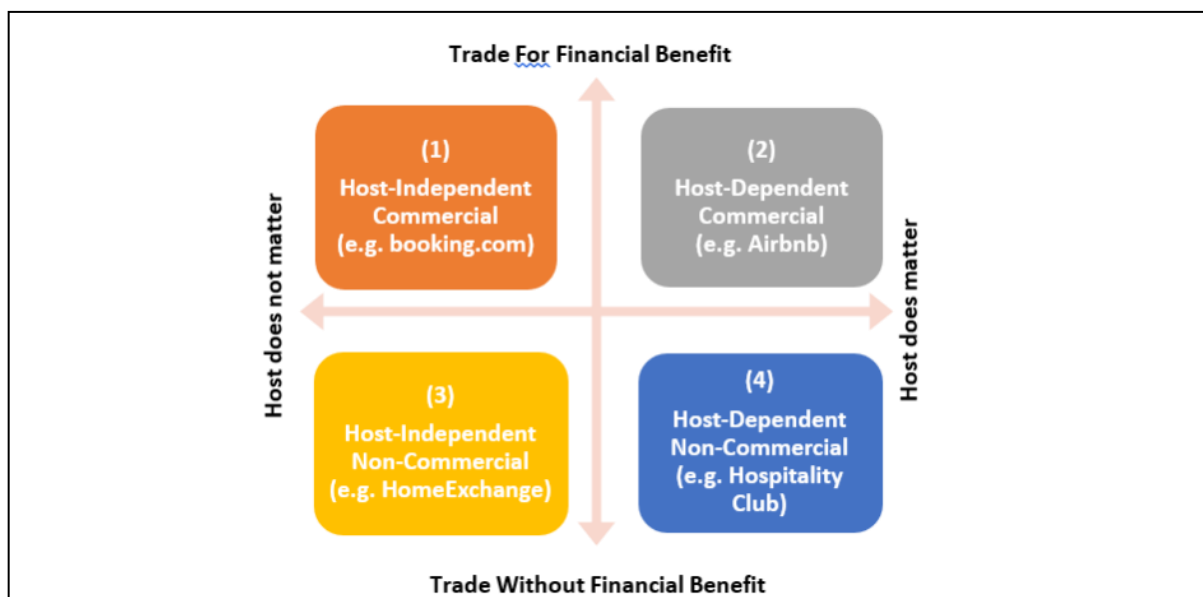


Figure 3 - A Typology of Accommodation Sharing Platforms

Source : (Dolnicar, P2P Accommodation Network, 2017)

The types of accommodation sharing platform (see figure 3) will be explained based on the five business model elements (Dolnicar, 2017) : value proposition (value offered by platform, hosts, and guests), value creation (utilizing external resources), value communication and transfer (tools for communication), value capture (regarding monetary/non monetary rewards), and value dissemination (awareness of the risks).

2.1.1 Typology Type 1 : Host-Independent Commercial Platform

Definition, Aim, Characteristic

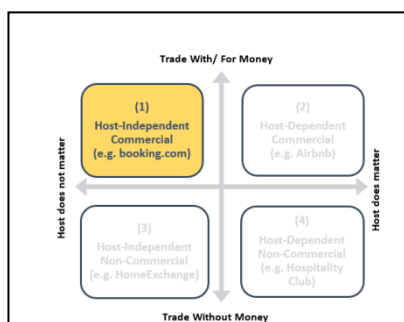


Figure 3 - A typology of Accommodation Sharing Platforms
Source: (Dolnicar, P2P Accommodation Network, 2017)

This typology (see figure 3) is almost similar with accommodation managed by traditional travel agents. The platform shows the listings and space, and the transaction is direct from the guests to hosts. The Platform does not guarantee the information about the accommodation being showed. However, the difference is the hosts are not limited to commercial hosts, but also accommodation sharing hosts

(Dolnicar, 2017).

The well-known example is booking.com. Previously, booking.com offered only commercial stay, but recently the website has also started offering, albeit to a small degree, the individual owner such as homestays, farm stays, boat stays, etc. The strength of the platform is it benefits guests as it takes no booking fee. (Booking.Com, 2018). On the demand side, the aim is to let the guests to have more choices in the most economical advantage way for short-term rental. On the supply side, the trust and confidence factor are provided by the host itself, not the online platform (Dolnicar, 2017).

Demography

Based on research website alexa.com; the demographic of booking.com has a wide ranging target market: adult and older people at the average age of 25-65 years old with the largest age group focusing on the 45-54 year old. The members are diverse from family-type people,

executives, university students, and the like. The average length of stay is around 1.5-2.5 nights.

Trends in Tourism Destinations

There are considerable numbers of online platforms for this typology, for example booking.com, priceline.com, however, in this thesis it will be limited only for the popular platforms that support the startup form or partnership in the tourism projects:

Table 2- List of Accommodation Sharing Type-1 (in order of number of listing)

Name	Est'd	No of Listing/ No of Countries	Total Funding ¹	Partnership with Tourism Projects (through Venture Capital and Business Angels Funding)
Booking.com (Netherland)	1996	28.9M /230	\$ 21M	Booking Booster Programme: (1)Booster Labs (for early stage startups) : India, Australia, Spain, Thailand (2)Booking Cares Fund (for NPO) Jordan, South Africa Source : (Booking.com, 2017)
Housetrip.com ¹ (UK)	2009	<i>Information not available.</i>	\$ 59.7	Swiss-house trip
Agoda.com (Singapore)	2005	1.8M/50	<i>Information not available.</i>	Support eco-friendly tourism

Source: Total funding is extracted from Crunchbase.com and the other data are extracted from each platform's website on November 2018.

According to the google search trend (see figure 4), with a total funding amount of USD 21 million, booking.com is widely spread around the globe, meanwhile Agoda.com is focusing in Asia region. During the last five years from 2013-2018, Booking.com and Agoda.com both showed interest over time of around 50-75, which mean that both are half popular website. Meanwhile housetrip has the lowest popularity.

¹ Housetrip is a subsidiary of Trip Advisor Rental; source: www.housetrip.com

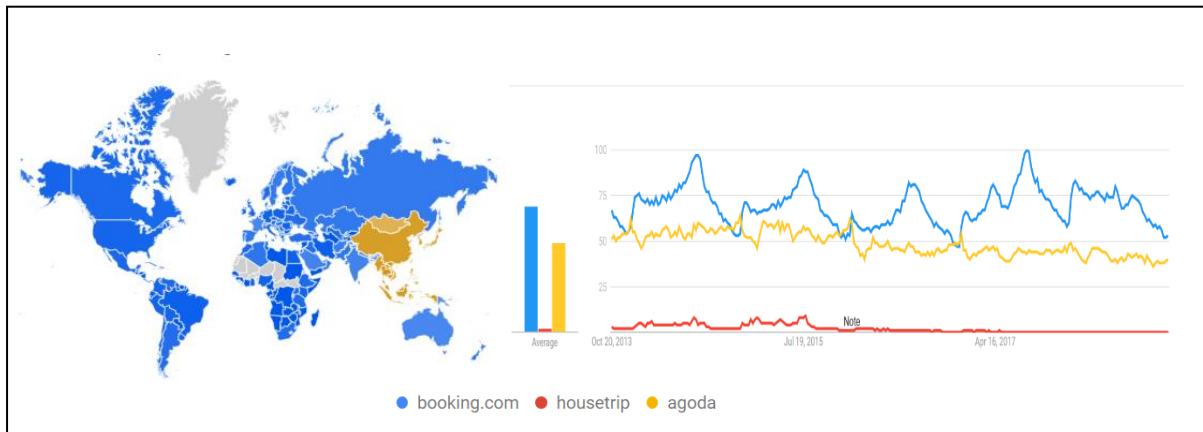


Figure 4 - Platforms breakdown by Region and Interest during 2013-2018
 Source: data extracted from google trend on November 2018

Below is the summary of 5 values from the previous sub-chapter being applied to the type of typology.

Table 3- Value of Typology Host-Independent Commercial Platform

VALUE	REMARKS
Value Proposition	
To Travellers	: Cheapest Prices, No booking fee, Wider amount of choice, Mitigation risk (star rating and review), Useful Travel Content, Call Centres, Useful App.
To Hosts (Corporate, Individual)	: Incremental Revenue, flexibility (promotions), global reach, mitigate risk through cost-per-click models, drive additional traffic to the hotel’s website, Market Intelligence.
Value Creation	Offering standardized information of the guest, connecting host and guest through platform or call centers.
Value Communication	website, email, sms, general media advertising, apps, key is delivered through receptionist (3 rd parties).
Value Capture	Basic amenities provided (space, linen, cleaning, F&B) and additional facilities (meeting room, parking, spa), charge per transaction, fixed price on property, fixed pricing at seasonal and weekend variation, payment in advance when the guest check-in, platform sponsoring payment.

Value Dissemination Property risk, Reputation risk, Risk of expectation not being met, profitability risk on the platform side, noise, safety risk, host remove the property from the listing, guest sue the platform for unsatisfied staying, community sign for petition/ complain.

Source: by Author on the data from (Dolnicar, P2P Accommodation Network, 2017)

2.1.2 Typology Type 2 : Host-Dependent Commercial Platform

Definition, Aim, Characteristic

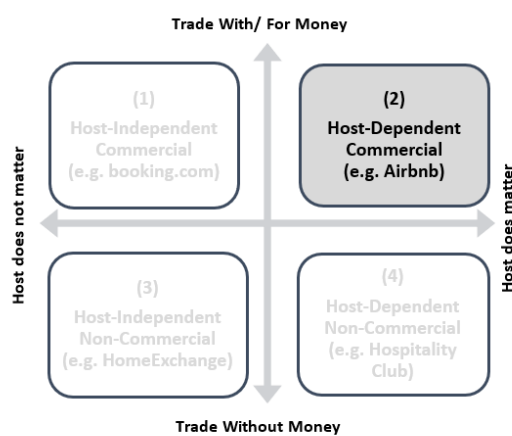


Figure 3 - A typology of Accommodation Sharing Platforms
Source: (Dolnicar, P2P Accommodation Network, 2017)

The well-known example for this typology is Airbnb.com (see figure 3). The Airbnb model is widely known as a disruptive innovation and rises the concept of accommodation sharing sector, which become substitutes to hotels (Guttentag, 2013). These platforms aim to encourage the social travelling concept and turn it into a profit model, via a number of big and constant drivers such as technological advancements, socio-cultural change, and

globalization (Oskam & Boswijk, 2016). Hosts and guests are connected with the platform, and it verifies and takes a service fee from each service reservation that match hosts and guests (Dolnicar, P2P Accommodation Network, 2017).

Demography

In the case of Airbnb, according to (i-Property Management, 2017), it is popular among millennial travelers aged 18-35 years old. Millennials are the largest generation in history, and by 2025, 75% of all consumers and travelers will be the millennial generation. The target demographic is varied from travelers looking for an affordable place, to those seeking a functional place, depending on the focus on the platform. However, opposite to the guests, the majority of hosts are from the senior side. For example, the fastest-growing Airbnb host demographic is seniors, with over 200,000 senior hosts and over 120,000 senior female hosts.

Trends in Tourism Destination

There are a lot of online platforms for this typology, for example Airbnb.com, Tujia.com; Wimdu.com, etc .com, however, in this thesis it will be limited only for the popular platforms that support the startup form or partnership in the tourism projects.

Table 4 - List of Accommodation Sharing Type-2 (in order of number of listing)

Name	Est'd	No of Listing/ No of Countries	Total Funding ¹	Partnership with Tourism Projects (through Venture Capital and Business Angels Funding)
Airbnb (US)	2008	>3.4 million/191	\$4.4B	Europe (France, Italy, Ireland, Spain); Asia-Pacific (Australia, India, Japan, Korea, Taiwan); Americas (Canada, Latin America, US). Source: (AirBnB Citizen, 2018)
Tujia (China)	2011	>450,000 /67	\$755M	China
Wimdu (Germany)	2011	>350,000 /150	\$90M	Germany, Tanzania, Uganda
Flipkey¹ (US)	2007	>300,000 /179	\$500K	US, Italy
XiaoZhu (China)	2012	>300,000/70	\$571.6M	China

Source: Total funding is extracted from Crunchbase.com and the other data are extracted from each platform's website on November 2018.

Based on the observation (see table 4), Airbnb has the highest total funding of USD 4.4 billion and it has the most partnership with tourism projects globally. Tourists appreciate the platform for their personalized approach, authenticity, and more flexibility to contact with local citizens (European Parliament, 2017). The second highest is Tujia.com. Unlike Airbnb, Tujia, has the advantage of market knowledge in China. The company effectively reaches the local people without a language barrier, and they manage the insecurities of the Chinese people regarding trust and safety when having strangers in their home.

Compared to the previous typology, this typology is still less popular in regards the web-search and transaction. The figure below (see figure 5) shows the platform area breakdown

and interest over time comparison between Typology Type-1 (e.g. booking.com) and Typology Type-2 (e.g. Airbnb) during the years 2013-2018. Both platforms slightly increased in trend, but booking.com is more popular in the sense of web-search rather than Airbnb.com over the globe. However, the use of Airbnb is widely used in the US and Australia, whereas the use of Booking.com is widely used in Europe, Africa, and Asia.

Figure 5 - Platforms Breakdown by Region and Interest during 2013-2018

Source: data extracted from google trend on November 2018

Below is the summary of 5 values from the previous sub-chapter being applied to the type of typology.

Table 5 - Value of Typology Type 2: Host-Dependent Commercial Platform

VALUE	REMARKS
Value Proposition	Hosts: community-based support (areas), localisation, mitigate risk (guest review), individual connection Guests: Affordable price accommodation, cashless transaction , booking convenience, authentic experience, authentic information, mitigate risk (host review and rating)
Value Creation	Standardized information, connecting, social networking, offering guarantees, matching members, building trust, public review (risk assessment), recommendation for improvement by guest
Value Communication	Website, sms, social media, application, email, general media advertising,
Value Capture	Basic amenities provided (linen, cleaning, space), trust, confidence, charged item per transaction, fixed price, payment in advance, direct payment

Value Dissemination Property damage risk, reputation risk, community good-will risk, Life/ Security risk, Scam risk, privacy risk, expectation not being met risk, Petition Risk, trust risk, regulation risk.

Source: by Author on the data from (Dolnicar, P2P Accommodation Network, 2017)

2.1.3 Typology Type 3 : Host-Independent Non-Commercial Platform Definition, Aim, Characteristic

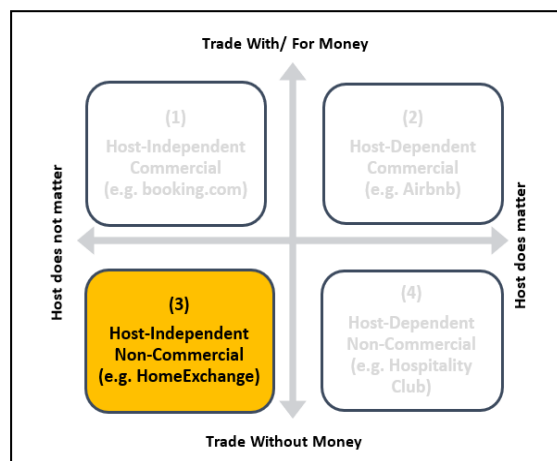


Figure 3 - A typology of Accommodation Sharing Platforms
Source: (Dolnicar, P2P Accommodation Network, 2017)

The well-known example for this platform is HomeExchange.com (see figure 3). This typology, the so called home swap or mutual exchange, is not a new phenomenon. As an example, in HomeExchange, it highlights saving people’s money by exchanging homes in which two parties are agreed for a certain period of time. Trust-based exchange, meeting new people, authentic cultural experience also comes into consideration with this platform

(HomeExchange, 2018).

Hosts and guests are connected with the platform with an annual membership fee, and thus no money transaction between the exchange partners. (Dolnicar, P2P Accommodation Network, 2017). There are two general types of home exchange: Reciprocal exchange and Hospitality Exchange (Home Exchange, 2018). Reciprocal exchange is simply hosts and guests exchange their home; with the sub-categories: simultaneous/direct and non-simultaneous/credit exchange. The simultaneous exchange occurs when members exchange homes at the same time, meanwhile the non-simultaneous exchange occurs when members exchange their homes at different time (e.g. summer and autumn season). Hospitality exchange means members choose to host each other in their homes, welcoming their exchange partners as guests.

Demography

A Millennial may prefer to couch surf, while older people/family type may prefer to trade homes with the same intellectual/social level of community. The demographic of this typology is dominated by highly educated people and the internet-savvy group with an age range of 35-65 years old, with the largest age group at 45-54 years old (University of Bergamo and HomeExchange community, 2013). The members are typically employers, self-employed people and retirees, who rent their second homes. The popular length of exchange is an average of between two weeks and a month. Below is the table showing several high listings of Host-independent Non-Commercial Platforms:

Table 6 - List of Accommodation Sharing Type-3 (in order of number of listing)

Name	Est'd	No of Listing/ No of Countries	Total Funding¹	Partnership with Tourism Projects
HomeExchange/Guest to Guest (France)	2011	>65,000/150	\$38.3M	<i>Data Not Available.</i>
Lome Home Swap (UK)	2009	>54,000/160	\$4.2M	<i>Data Not Available.</i>
Intervac International	1953	>35,000/52	<i>Data Not Available.</i>	<i>Data Not Available.</i>

Source: Total funding is extracted from Crunhbase.com and the other data are extracted from each platform's website on November 2018.

Based on report conducted by (University of Bergamo and HomeExchange community, 2013), the home exchangers' interest in cultural heritage is correlated to each other. However, based on observation from each website, there is no tourism project initiated by the platforms mentioned above.

The figure below (see figure 6) shows the platform area breakdown and interest over time comparison between HomeExchange.com Lovehomeswap.com, and Intervac International .com during year 2013-2018. All of the line graphs show a unstable rapid change trend overtime. Homeexchange is widely popular in Europe, United States, Africa, and China, meanwhile lovehome swap is popular in Europe and Australia.

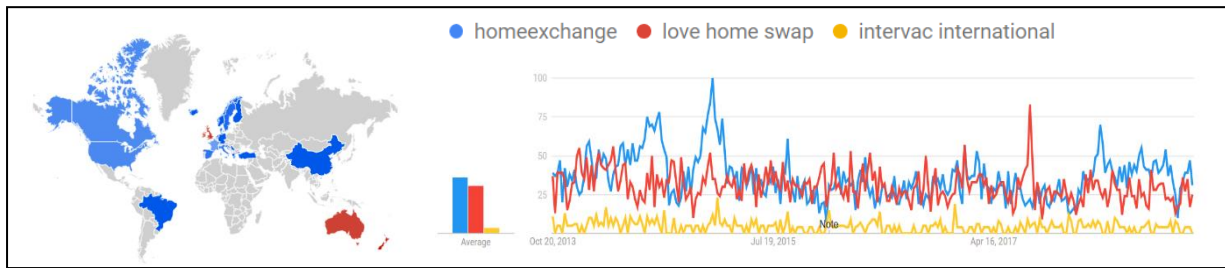


Figure 6 - Platforms Breakdown by Region and Interest during 2013-2018

Source: data extracted from google trend on November 2018

Below is the summary of 5 values from the previous sub-chapter being applied to the type of typology.

Table 7 - Value of Typology Type 3: Host-Independent Non-Commercial Platform

VALUE	REMARKS
Value Proposition	Both hosts and guests: exchange home, mitigate risk (review and rating), platform get access to new clients.
Value Creation	Standardized information (verification account), loyal community, trust-based, social networking, offering guarantees through platforms, matching members, building trust,
Value Communication	Website, sms, social media, application, email, general media advertising, key exchange through keylock with code; café; or host directly
Value Capture	space provided, trust, confidence, no transaction between host and guest, payment in advance through flatrate/ annual rate through platform,
Value Dissemination	Property risk, reputation risk, community good-will risk, Life/ Security risk, Scam risk, privacy risk, expectation not being met risk, Petition Risk, trust risk

Source: by Author on the data from (Dolnicar, P2P Accommodation Network, 2017)

2.1.4 Typology Type 4 : Host-Dependent Non-Commercial Platform

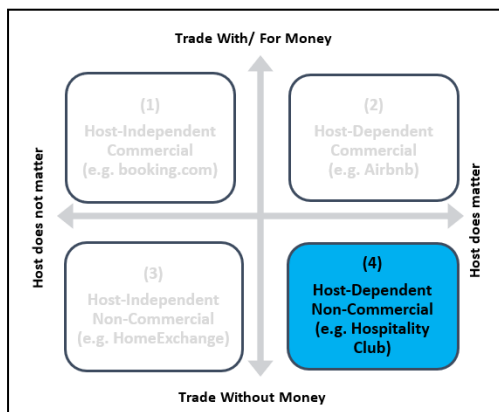


Figure 3 - A typology of Accommodation Sharing Platforms
 Source: (Dolnicar, P2P Accommodation Network, 2017)

Definition, Aim, Characteristic

The well-known platform for this typology is Couchsurfing, a non-profit organization founded in 2004. The large network aims in meet and stay with the locals “for free” and meet other travelers, bringing together diverse people around the world by a sense of social network and volunteer-based.

Hosts and guests are connected with the platform with voluntary registration fee, and thus no money transaction between the exchange partners. (Dolnicar, P2P Accommodation Network, 2017).

Demographic

According analysis report from (Alexa, 2018), Couchsurfing is very popular for travel on a budget among socializer/extrovert teenagers and young adults. The demographic of this typology is dominated by extrovert personality college students with an range of 18-25 years old. The popular average length of stay is around 2-3 days.

Trend for tourism areas

There are several popular platforms such as Couchsurfing.com, Hospitalityclub.com, Globalfreeloaders.com, Bewelcome.com, however, there is no data available on how these platforms obtain funding and no partnership with tourism projects obtained.

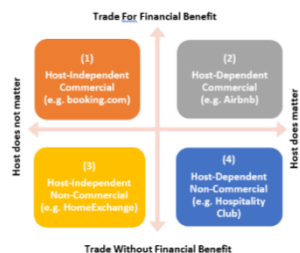
Table 8- Accommodation Sharing Platforms trading (in order of number of listing)

VALUE	REMARKS
Value Proposition	Free accommodation, community-based support (cities and areas), mitigate risk, individual connection matching members
Value Creation	Standardized information, connecting, social networking, stay with local host, host international travellers
Value Communication	Website, sms, social media, application, email
Value Capture	No revenue, non-profit, verification payment (voluntary)

Value Dissemination	Property risk, reputation risk, community good-will risk, Life/ Security risk, Scam risk, privacy risk, expectation not being met risk, Petition Risk, trust risk
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Source: by Author on the data from (Dolnicar, P2P Accommodation Network, 2017)

2.2 Summary of Typology of Accommodation Sharing Platforms



Based on the four basic types of accommodation sharing platform, a comparison of summary has been made. This comparison furthermore will be compared to the case study Chapter Five, to answer the Question in Chapter one: to define the most suitable typology of accommodation sharing economy platform applicable to develop the rural tourism area in Karangasem, Bali.

Table 9 - Summary of Typology of Accommodation Sharing Platforms

No.	Guests (G)	Hosts (H)	CHARACTERISTIC DETAILS	(1)	(2)	(3)	(4)
				Host-Independent Commercial Platform (e.g. Booking.com)	Host-Dependent Commercial Platform (e.g. Airbnb)	Host-Independent Commercial Platform (e.g. HomeExchange)	Host-Dependent Non-Commercial Platform (e.g. Hospitality Club)
1	G	H	Trade with money	✓	✓	✗	✗
2	G	H	Host Matters	✗	✓	✗	✓
3	G		Business/Study-travel main purpose	✓	✓	✗	✗

No.	Guests (G)	Hosts (H)	CHARACTERISTIC DETAILS	(1)	(2)	(3)	(4)
				Host-Independent Commercial Platform (e.g. Booking.com)	Host-Dependent Commercial Platform (e.g. Airbnb)	Host-Independent Commercial Platform (e.g. HomeExchange)	Host-Dependent Non-Commercial Platform (e.g. Hospitality Club)
4	G		Single leisure-travel main purpose	✓	✓	✓	✓
5	G		Family leisure-travel main purpose	✓	✓	✓	✗
6	G		Multiple destination travel	✓	✓	✗	✓
7	G		Single destination travel	✓	✓	✓	✓
8	G		Millennial guests (22-37 years old)	✓	✓	✓	✓
9	G		Middle-aged guests (36-55 years old)	✓	✓	✓	✗
10	G		Senior-aged guests (> 55 years old)	✓	✗	✓	✗
11		H	Millennial hosts (22-35 years old)	✓	✓	✗	✓
12		H	Middle-aged hosts (36-55 years old)	✓	✓	✓	✓
13		H	Senior-aged hosts (> 55 years old)	✓	✓	✓	✗
14	G		Average stay for 1-3 days	✓	✓	✗	✓
15	G		Average stay for 1-2 weeks	✗	✗	✓	✗
16	G		Convenience (easy and fast) and accessibility	✓	✓	✓	✗

No.	Guests (G)	Hosts (H)	CHARACTERISTIC DETAILS	(1)	(2)	(3)	(4)
				Host-Independent Commercial Platform (e.g. Booking.com)	Host-Dependent Commercial Platform (e.g. Airbnb)	Host-Independent Commercial Platform (e.g. HomeExchange)	Host-Dependent Non-Commercial Platform (e.g. Hospitality Club)
17	G	H	Loyal-community based / Unique Experience	✗	✓	✓	✓
18		H	Provide Localisation (content & recommendation)	✗	✓	✓	✓
19	G	H	Trust-based (rating and review)	✓	✓	✓	✓
20		H	Mitigate risk (platform give insurance to host)	✗	✓	✓	✗
21		H	Hosts' Earn Revenue	✓	✓	✗	✗
22		H	Home Exchange/ Home Swapping	✗	✗	✓	✗
23	G		Guest's Identity Verification	✓	✓	✓	✓
24	G	H	Social networking to Guests (meet other members in community)	✗	✓	✓	✓
25		H	Local/Regional Event Sponsorship	✗	✓	✗	✓
26	G	H	Building Trust (and guarantees) between Hosts and Guests	✗	✓	✓	✗
27		H	Key Resource (Platform, Call Center)	✓	✓	✓	✓

No.	Guests (G)	Hosts (H)	CHARACTERISTIC DETAILS	(1)	(2)	(3)	(4)
				Host-Independent Commercial Platform (e.g. Booking.com)	Host-Dependent Commercial Platform (e.g. Airbnb)	Host-Independent Commercial Platform (e.g. HomeExchange)	Host-Dependent Non-Commercial Platform (e.g. Hospitality Club)
28		H	Key Source Lead User/ Region Administrator	✗	✗	✗	✓
29		H	Key Partner with Regional Real Estate Agency	✓	✓	✗	✗
30		H	Key Partner with Int. Designers for impression	✓	✓	✗	✗
31		H	Key Partner with Photographers for impression	✓	✓	✗	✗
32		H	Key Partner with Local Government (for tourism attraction)	✓	✓	✓	✗
33		H	Key Partner with lifestyle media resources	✓	✓	✓	✓
34	G	H	Website, mobile phone app, sms	✓	✓	✓	✓
35	G	H	General Media Advertising (online and offline)	✓	✓	✓	✗
36		H	Provide room or space	✓	✓	✓	✓
37		H	Provide basic amenities (linen, cleaning, water)	✓	✓	✗	✗

No.	Guests (G)	Hosts (H)	CHARACTERISTIC DETAILS	(1)	(2)	(3)	(4)
				Host-Independent Commercial Platform (e.g. Booking.com)	Host-Dependent Commercial Platform (e.g. Airbnb)	Host-Independent Commercial Platform (e.g. HomeExchange)	Host-Dependent Non-Commercial Platform (e.g. Hospitality Club)
38		H	Provide additional facilities (meeting room, café, parking)	✓	✗	✗	✗
39	G	H	Money transaction between hosts and guests	✓	✓	✗	✗
40	G		Guests pay flat rate voluntary verification payment	✗	✗	✗	✓
41	G		Guests pay flat rate for annual membership	✗	✗	✓	✗
42	G		Guests pay per transaction as per stay	✓	✓	✗	✗
43	G		Guests pay booking fee per transaction to platform	✗	✓	✗	✗
44		H	Hosts pay service fee per transaction to platform	✓	✓	✗	✗
45	G	H	Host charging guest based on seasonal, weekend variation	✓	✓	✗	✗
46	G	H	Pay insurance cost	✓	✓	✓	✗
47		H	Platform depend on Human Capital (as a cost)	✓	✓	✗	✓
48		H	Property risk (damage)	✓	✓	✓	✓

No.	Guests (G)	Hosts (H)	CHARACTERISTIC DETAILS	(1)	(2)	(3)	(4)
				Host-Independent Commercial Platform (e.g. Booking.com)	Host-Dependent Commercial Platform (e.g. Airbnb)	Host-Independent Commercial Platform (e.g. HomeExchange)	Host-Dependent Non-Commercial Platform (e.g. Hospitality Club)
49	G	H	Reputation risk	✓	✓	✓	✓
50		H	Community good-will risk	✗	✓	✓	✓
51	G		Safety risk (life risk, fraud, scam, rape)	✗	✓	✓	✓
52	G		Privacy risk	✗	✗	✗	✓
53	G	H	Language barrier risk (local, international language)	✗	✓	Vary ²	Vary
54	G		Expectation/ Satisfaction risk	✗	✓	✓	✓
55		H	Regulation compliance risk	✓	✓	✓	✓

Source: by Author based on various data from (Dolnicar, Peer to Peer Accommodation Networks: An Examination, 2017), platforms website, and other journals.

² Language barrier is vary depending on the host's background.

3. Literature Review: Financial Tools For SMEs (Small Medium Enterprises)

3.1 Definitions and Characteristics of VC, Crowdfunding, Business Angel

The definition of SMEs (Small Medium Enterprises) in Indonesia is regulated under the Law No.20 of 2008. Below is the enterprise size of Indonesian SMEs:

Table 10 – Small Medium Enterprise Size in Indonesia

ENTERPRISE SIZE	VALUE OF IDR ASSET
Micro	Net asset IDR ≤ 50 million or annual revenue ≤ 300 million
Small	Net asset IDR 50 million – IDR 500 million; or annual revenue IDR 300 million – IDR 2.5 billion
Medium	Net asset IDR 500 million – IDR 10 billion; or annual revenue IDR 2.5 billion – IDR 10 billion

Source: Indonesian Regulation Law No.20 of 2008 about Small Medium Enterprises

Financial Tools Insight

Financial instruments are risk-sharing schemes shared through reputable financial intermediaries who are close to the recipients and are experienced enough to judge their needs. In this thesis, the financial tools for medium-sized enterprises (SMEs) to be analyzed are **Venture Capital, Crowdfunding, and Business Angels**. The purpose is to analyse the existing and potential partnership between the government, a specific accommodation sharing typology and choosing the right investment/ financial tools, will bring economic and social benefit in the case study in next chapter.

The Characteristics and Sub-characteristic Access to Finance for SMEs

To achieve the valuable goals for rural tourism areas, the establishment of small and medium-sized enterprises (SMEs) is considered important. However, SMEs should overcome weaknesses existing in the financial markets by working with various financial institutions to provide them with funding (European Commission, 2018). Information was obtained from numerous sources including the website European Commission Policy Areas: Financial instruments, and more specific sources such as journals of travel research (Tussyadiah &

Pesonen, 2016) and open-article Industrial and Corporate change (Lerne & Tag, Industrial and Corporate Change, 2013).

Table 11- Financial Tool Characteristics and Sub Characteristics

CHARACTERISTICS		SUB- CHARACTERISICS	
	Website (European Commission, 2018) Policy Areas		Journals (Lerne & Tag, 2013); (Tussyadiah & Pesonen, 2016)
1	Risk Sharing Schemes	1.1	Investment Stage
		1.2	Key Players, Deal Flow, Source of Funding
2	Reputable Financial Intermediaries	2.1	Financial Market Development (Exits)
		2.2	Return On Investments
3	Well Qualified	3	Legal Environment ³
4	Market Driven	4.1	Social Appeal
		4.2	Economic Appeal

Source: by Author on the data of (European Commission, 2018), (Lerne & Tag, 2013); (Tussyadiah & Pesonen, 2016)

Risk Sharing Scheme

The risk sharing scheme can be approached through the investment stage, source of funding, including the deal flow, and due diligence.

There are five investment stages (Law, 2017) which will be relevant for the next discussion:

- Seed Stage : Early financing towards a firm that has a business plan, market research, product development. A seed-stage firm is not yet established/exist. The fund size is < USD 50 million.
- Early Stage : Early financing towards a firm that is able to begin operation but is not yet at the stage of commercial manufacturing and sales. Early Stage consists of two sub stages:
 - Start-up stage: capital to support product development and initial marketing.
 - First stage: capital to support initiate commercial manufacturing and sales.

³ Legal Environment: code of conduct that defines the legal boundaries for business activity

The fund size is in between USD 50-100 million.

- Later Stage : Financing after sales but before any Initial Public Offering (IPO). The fund size is USD 100-500 million.
- Expansion Stage: Financing refers to formative stage. The fund size is > USD 500 million.

Reputable Financial Intermediaries

Tourism services are delivered through small and medium-sized enterprises (SMEs), where the growth of firms is affected by the financial market development. According to Journal (Black & Gilson, 1998), the firm that is funded by venture capital is growing through innovation, acquisition, and partnership to reach Return On Investment (ROI). The end goal of the venture capital is exit through an Initial Public Offering (IPO) through which their equity stake is liquidated. It refers to the selling of public shares in the firms that is funded by the private investors. Listing on the stock exchange aims for two main benefits; the first is the ability for the entrepreneurs to regain the control as it expires, and the second is to attract more future investors. In Indonesia, so far no start-up firm yet has gone to IPO and there are no clear exits with high return yet (Kearney, A.T; Google, 2017).

Well qualified (legal framework)

Legal framework of financial tools in Indonesia is described in the Indonesian Financial Service Authority (*Otoritas Jasa Keuangan (OJK)*). The foreign fund, so called Foreign Direct Investment (FDI), is regulated by Law 25/2007 (The Investment Law). Under the law, any form of Foreign Direct Investment in Indonesia must be in the form of a limited liability company, with the foreign investor holding shares in the company.

3.1.1 Venture Capital

While the startup landscape in Indonesia is still young compared with other Asian countries such as China and India, however, it shows potential for growth. The growth of venture capital in Indonesia is supported through the partnership between foreign Venture Capital and local Venture Capital in the last five years. As it is still new in Indonesia, the future of venture capital is highly dependent on trust building through unpredictable and fluctuating investment. (Kearney, A.T; Google, 2017).

Table 12 - Definition of Venture Capital

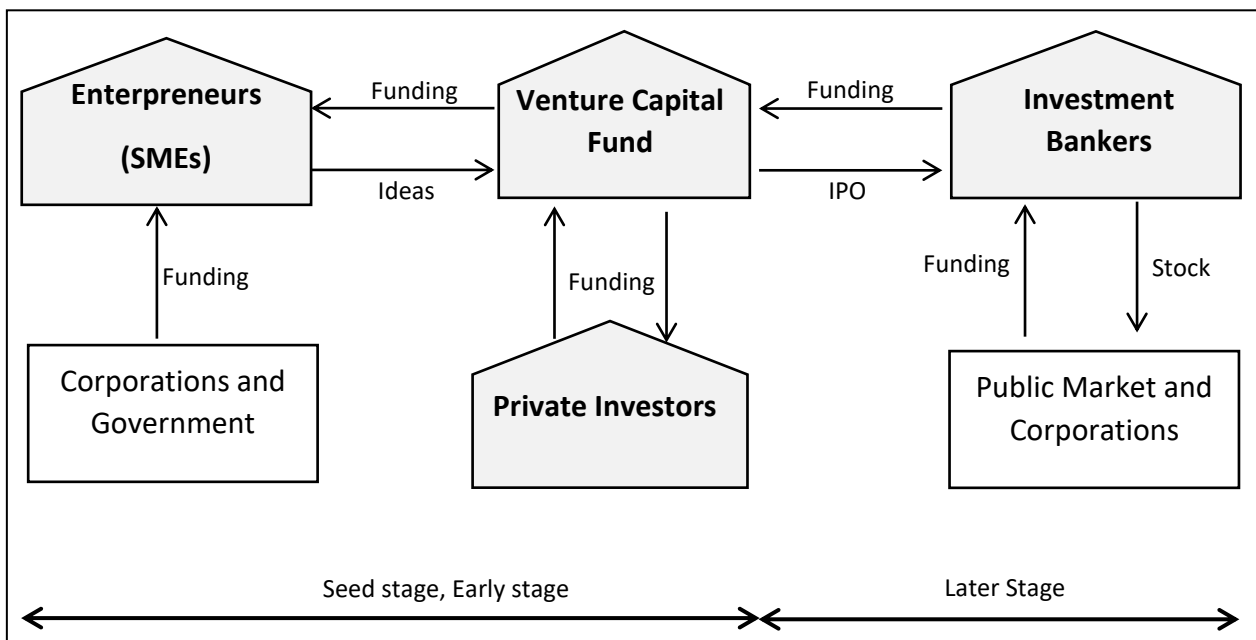
DEFINITION	SOURCE
<p>“External finance sources which aims in providing capital (equity investments⁴) to the innovative and growth-oriented small businesses for expanding, breaking into new markets, and growing faster. The new firms typically do not have their own resources or cannot access loans. Although venture capital is only relevant for a small group of firms, it is essential for the growth of innovative firms.”</p>	<p>(European Commission, 2018)</p>
<p>“Equity investments in closely held and partially controlled by private companies with no publicly traded stock intended for a limited period of time, from seed stage, early stage, up to last stage.”</p>	<p>Journal (Widyasthana, Wibisono, & Sufiati, 2017)</p>

Venture Capital Characteristic

Risk Sharing Schemes (investment approach, investment stage, deal flow)

The diagram below shows the Venture Capital scheme.

Figure 7 - Venture Capital Scheme



Source: By Author based on literature *How the Venture Capital Works* (Zider, 1998)

⁴ Equity Investment: buying into the stocks and shares of companies.

The Venture capitalists make money for themselves by making a market for the other three: entrepreneurs, investment bankers, corporations and government. By understanding how venture capital works, entrepreneurs can mitigate the risk and increase the potential investment. In return for one to two years of start-up firms, venture capitalists expect ten times return over five years investment.

The Investment trend in Indonesia

Venture Capital Investment in Indonesia has reached nearly USD 3 billion in 2017, rising double the previous year of 1.4 billion. The average deal value shows a significant increase of USD 56 million (see figure 8), that there is a positive investment opportunity in the future.

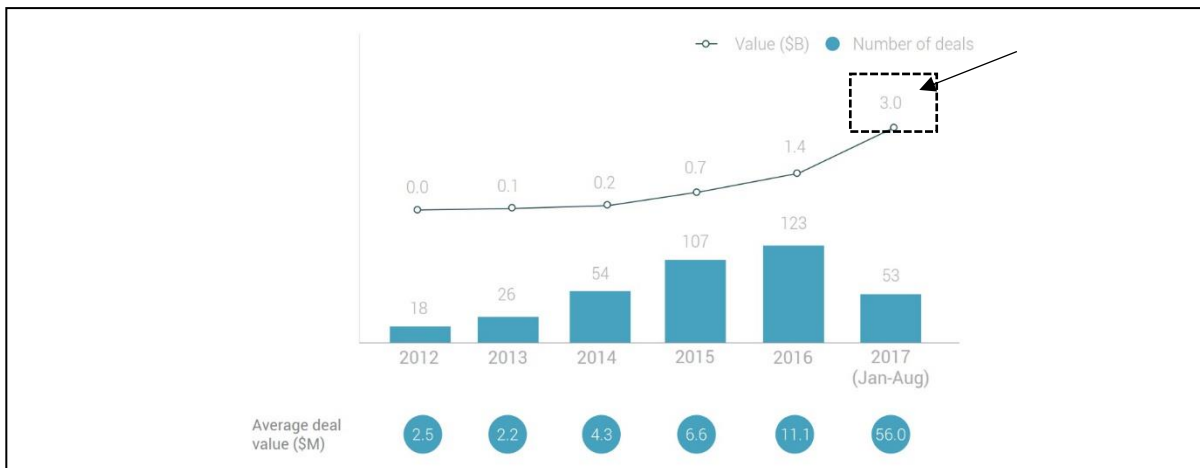


Figure 8 - Indonesia Venture Capital Deals and Total Investment Value during 2012-2017

Source: technical data taken from (Kearney, A.T; Google, 2017)

Moreover, Venture Capital deals by category is as follow:

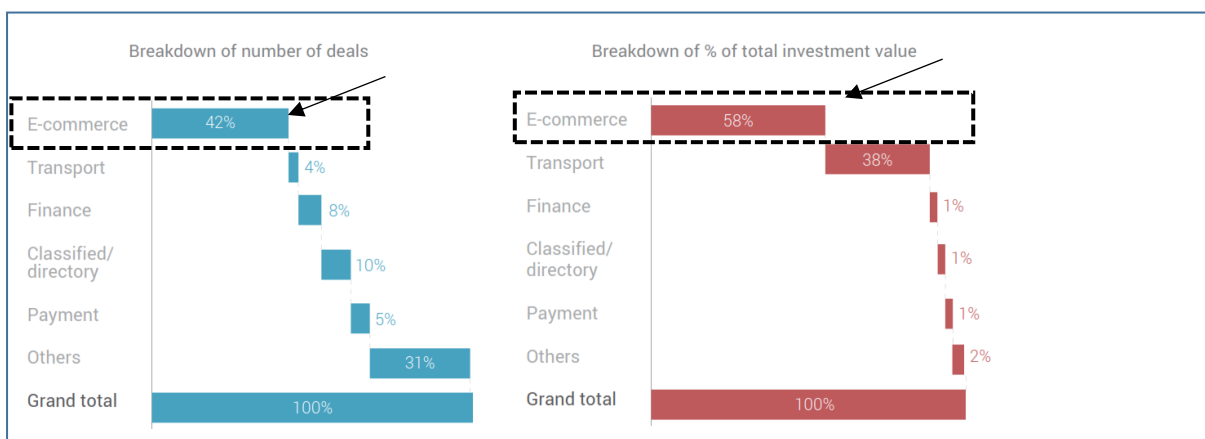


Figure 9 - Venture Capital Deals in Indonesia by Category during 2012-2017

Source: technical data taken from (Kearney, A.T; Google, 2017)

Tourism, hospitality, and accommodation are included in the category of e-commerce (E-commerce in tourism). It shows the largest percentage at 42% the number of deals and 58% of total investment value during 2012-2017 (see figure 9). It implies that there is a big potential in the development of tourism project to be funded by Venture Capital investment. Below is list of high investment companies funded by venture capital investment with the highest funding (list based on year established).

Table 13- Popular Local Companies Funded by Venture Capital Investment

VENTURE CAPITAL PLATFORM	SECTOR	EST.	INVESTMENT STAGE, CAPITAL Capital (USD)	INVESTORS
Easy pay Indonesia	E-commerce payment	2013	Undisclosed (USD15M)	Foreigner Investors
Modalku	Loan service	2013	Early Stage (USD1.2M)	Local and Foreigner Investors
Moka	Mobile point-of-sale	2014	Early Stage (USD36.9M)	Local and Foreigner Investors
Cermati	Loan service	2015	Early Stage (USD1.9M)	Local and Foreigner Investors
JojoNomic	mobile personal financial application	2015	Early Stage (USD1.5M)	Local and Foreigner Investors

Source: By Author on the data of Crunchbase.com on November 2018

Based on the table above, the tourism, hospitality, and accommodation are included in e-commerce service for example by easy pay Indonesia (see table 13). However, other sector such as loan service could also be a part of supporting tourism sector.

Financial Market Development: ROI (Return on Investment) and Exit on Investment

The goal of the investment is to maximize the profit and to attract more investor. The formula is :

$$\text{Post Money Valuation (Eur)} = \frac{\text{Terminal Value (Eur)}}{\text{Anticipated ROI}}$$

Terminal value is the value of a project's expected cash flow. The Anticipated ROI is estimated 10x, 20x, 30x etc of the terminal value. ROI form could be through Equity Participation, Convertible Bonds, Revenue Sharing. For exits after the end of the ten-year period, a venture capital firm must divest the investments through an exit method: IPO (Initial public offering), buyback, M&A (Merger and Acquisition). The profit/revenue generates conversion of convertible bonds into equity, under an agreement between the venture capital company and the investee. (Susanto & Suria, 2016)

The Legal Environment

The legal framework of Venture Capital in Indonesia is described in the Indonesian Financial Service Authority (*Otoritas Jasa Keuangan (OJK)*); The detail can be seen in **Appendix 1**. The foreign fund, so called Foreign Direct Investment (FDI), is regulated by Law 25/2007 (The Investment Law). Under the law, any form of Foreign Direct Investment in Indonesia must be in the form of a limited liability company, with the foreign investor holding shares in the company.

Market Driven : Economic Appeal and Social Appeal

The economic appeal to Venture Capital investment in Indonesia is that it will generate more startup ecosystems to facilitate growth. Partnership between the government and local/foreign investors policy so far is being developed as a national incubator especially for early stages. The Government also allow foreign investors to own 100% of e-commerce companies with investment of more than IDR 100 billion (USD 68479). (Kearney, A.T; Google, 2017).

The Social appeal to Venture Capital investment is to boost local Indonesian talent to develop the Venture Capital business, in order to retain them as opposed to going abroad. Partnership between the government and local/foreign investors in tourism projects is believed to be an important method to build self-sustaining communities.

Table 14- Summary of Venture Capital in Indonesia

SUB-CHARACTERISTIC		REMARKS
1.1	Investment Stage	Seed-stage, Early-stage , Later-stage up to ten-year period (Widyasthana, Wibisono, & Sufiati, 2017)
1.2	Key Players	Government, Local Investors, Foreign Investors, Platforms/ Companies (Kearney, A.T; Google, 2017). A venture capital fund is established in the form of LLC (Limited Liability Company) or a co-operative (<i>koperasi</i>). (Susanto & Suria, 2016)
1.3	Sources of Funding	Individual investors, institutional investors, financial services, Insurance and Pension funds, banks (Susanto & Suria, 2016)
2.1	Financial Market Development (Exits)	Investment divest (exits) through IPO (Initial Public Offering), Buyback, M&A (Merger and Acquisitions) (Susanto & Suria, 2016)
2.2	Return On Investment	Equity Participation, Convertible Bonds, Revenue Sharing (Susanto & Suria, 2016)
3	Legal Environments / Policy	<ul style="list-style-type: none"> • Registered in Indonesian Financial Service Authority (Otoritas Jasa Keuangan "OJK") • Specific regulation compliance: <ul style="list-style-type: none"> ○ Law No. 20 of 2008 regarding to Small and Medium Enterprises (SMEs). ○ Regulation of the Financial Service Authority (Otoritas Jasa Keuangan – "OJK") No. 34/POJK.05/2015 on VC Companies' Business License and Structure; ○ Regulation of OJK No. 35/POJK.05/2015 on VC Companies Business Operations; ○ Regulation of OJK No. 36/POJK.05/2015 on the Implementation of Good Corporate Governance in VC Companies; and <p>Regulation of OJK No. 37/POJK.05/2015 on Direct Inspection of VC Companies.</p>

4.1	Economic Appeal	<ul style="list-style-type: none"> • Revenue sharing is conducted under agreement between the venture capital company and the investee (Susanto & Suria, 2016) • The Government allows foreign investors to own 100% of e-commerce companies with investment of more than IDR 100 billion (USD 68479). (Kearney, A.T; Google, 2017).
4.2	Social Appeal	<p>The Social appeal to the Venture Capital investment is to boost local Indonesian talent to develop the Venture Capital business, in order to retain them going abroad. (Kearney, A.T; Google, 2017).</p>

3.1.2 Crowdfunding

Crowdfunding has the possibility for financing tourism projects as there are specialized platforms dedicated for tourism related projects such as Travelstarter⁵. In Indonesia, crowdfunding offers a promising opportunity for social enterprise (United Nation, 2017).

Table 15 – Definition of Crowdfunding

DEFINITION	SOURCE
Crowdfunding is a way of raising money to finance projects and businesses. It enables fundraisers to collect money from a large number of people via online platforms.	(European Commission, 2018).
Crowdfunding is the practice of raising money from a large group of individuals, typically through an online portal. Though crowdfunding is a fairly new term, the novel fundraising mechanism taps into a more innate human desire to help others. Community-driven financial practices have a long history across nearly all regions around the world:	United Nation (United Nation, 2017)

Crowdfunding Type and Return on Investment

According to (Galkiewicz & Galkiewicz, 2018) There are four types of crowdfunding:

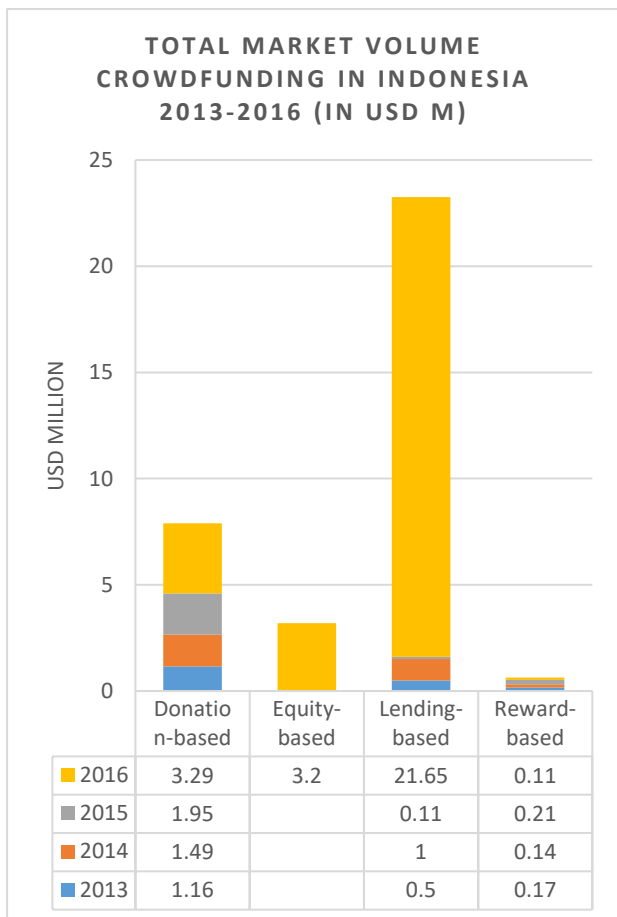
- **Donation-based:** The funders do not obtain any reward for their contributions. financing the locally-based communities happen with the backing of community of interest, usually for non-profit projects.
- **Equity-based:** Funders receive shares from the start-up firm in exchange of their contribution.
- **Lending-based:** Funders receive interest payment in exchange for financing the project.
- **Reward-based:** funder received rewards in the form of goods or services in exchange for their contribution. In order to receive funding, the start-up firm must prepare the business plan or product prototype and post on the crowdfunding platform.

⁵Travel starter is an US based crowdfunding company with travel rewards (source: crunchbase).

The goal of the investment is to fund when the venture capital is not possible, and to attract more investor. The formula is the same with venture capital:

$$\text{Post Money Valuation (Eur)} = \frac{\text{Terminal Value (Eur)}}{\text{Anticipated ROI}}$$

Terminal value is the value of a project's expected cash flow. The Anticipated ROI is estimated 10x, 20x, 30x etc of the terminal value.



Indonesia reported one of the most rapidly growing of market growth compared to Asian Pacific countries. (Cultivating Growth : Asia Pasific Alternative Industry, 2017).

Based on the Collaborative Research during 2013-2016, the massive growth in crowdfunding in Indonesia is in activity largely attributed to lending based for business purpose, which reached USD 21.65 million in 2016 (see figure 10). In the same year, donation-based and equity based are on the same range at around USD 3.2 million.

(Cultivating Growth : Asia Pasific Alternative Industry, 2017).

Figure 10 - Total Market Volume Crowdfunding

Source: (Cultivating Growth : Asia Pasific Alternative Industry, 2017)

Risk Sharing Scheme

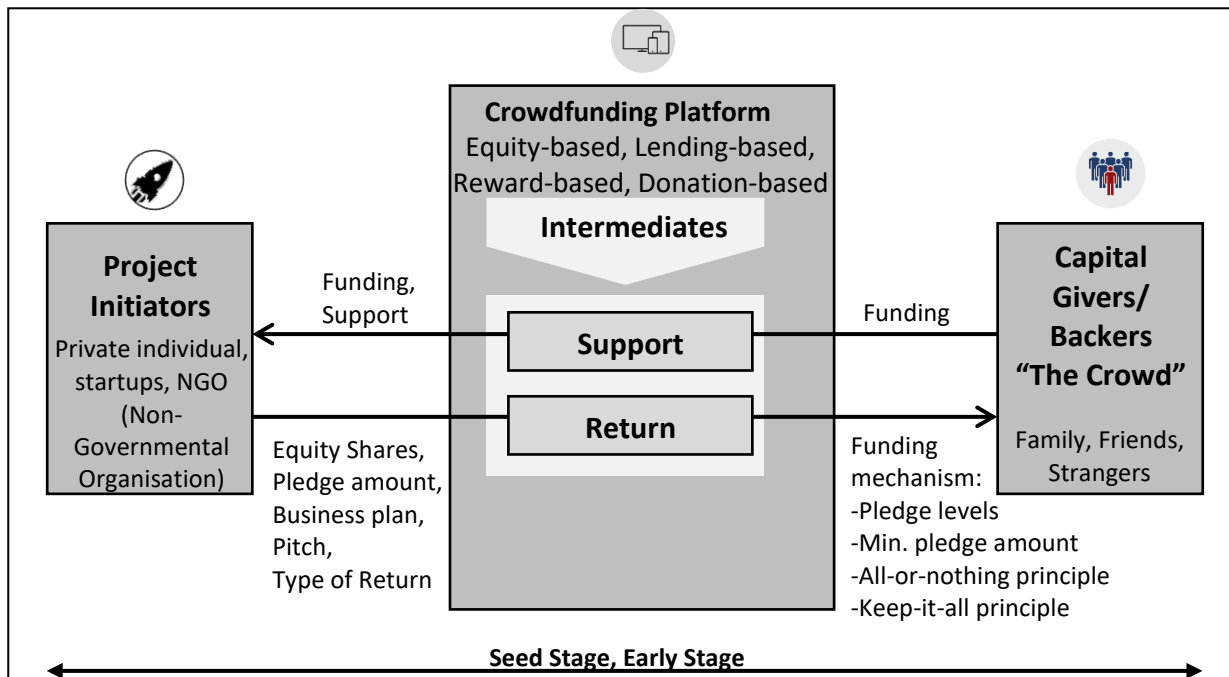


Figure 11 - Crowdfunding Scheme

Source: *The Crowdfunding Principles* (Gierczak, Bretschneider, Haas, Blohm, & Leimeister, 2015):

Crowdfunding investment scheme is based on three main key players: The crowdfunding platform, the project initiator, and the funders. The crowdfunding platform act as the “intermediates” to connect project initiators and funders by offering the necessary web infrastructure. It acts to support the project initiators by raising fund from the funders, and in return the funders receive benefit. The project initiator obtains the fund by presenting their ideas in the form of business plan and video campaign to gain the potential crowd.

The impact of crowdfunding in Indonesia is fairly new. According to a United Nation report (United Nation, 2017), there are nine global funders in Indonesia on a big scale. As an example, Triodos Bank (see figure 12) is a global institution with the highest funding of USD 6 million, which is allocated through four microfinance local institutions. Collectively, it helped to enhance communities in the rural area to secure loans.

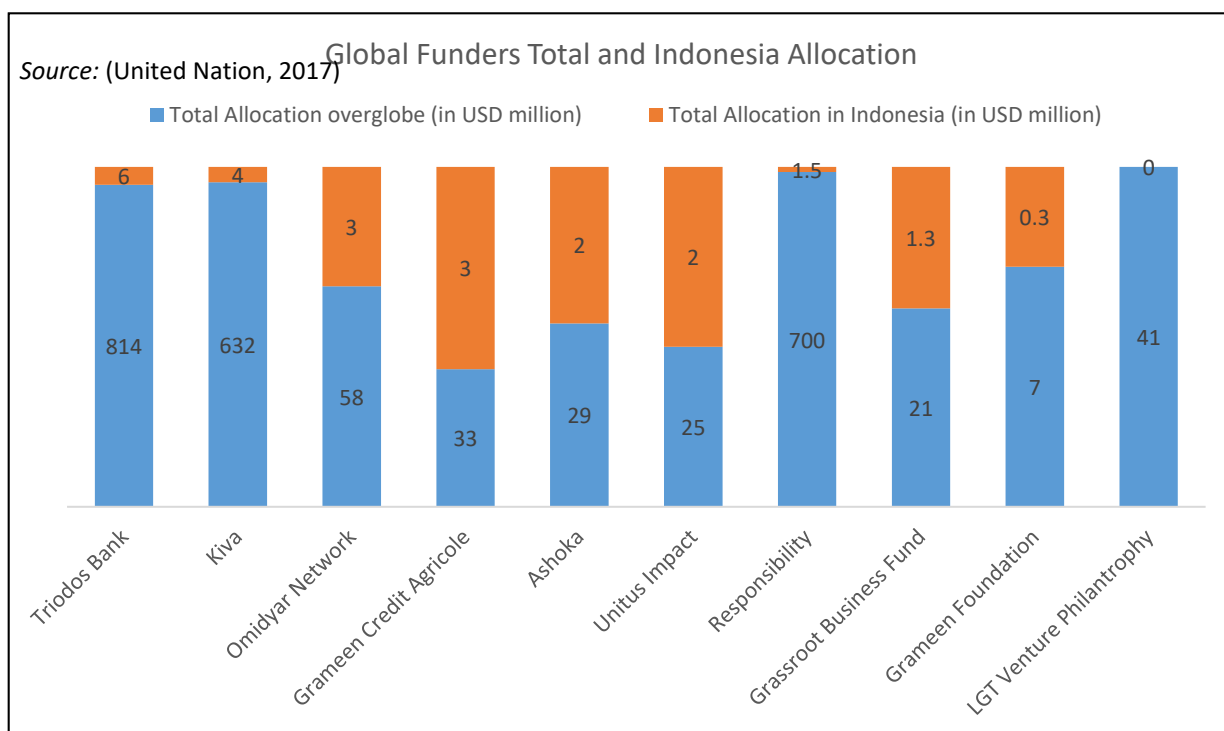


Figure 12 - Crowdfunding Fund Allocation in Indonesia

Legal Environment & Taxation Policy Crowdfunding in Indonesia

The regulation of crowdfunding is constituted by the Indonesian Financial Services Authority (*Otoritas Jasa Keuangan: "OJK"*) put in force by Regulation No.77/POJK.01/2016 concerning Information Technology–Based Money Lending Services ("*P2P Lending Regulation*") in 2016. The taxation policy/entity structure is somewhat the same with venture capital policy, in the form of Indonesian limited liability company (LLC) - a corporation that combines pass-through taxation of the partnership or sole proprietorship (Chang, 2018).

Table 16 – WELL-KNOWN CROWDFUNDING PLATFORMS IN INDONESIA

	CROWDFUNDING PLATFORM	EST.	SERVICE/ PRODUCT	SOURCE OF FUNDING
1	Arisanmapan.id	2009	financial services and education to the communities in areas.	Crowdlending based: rotating savings and credit association (microfinance).
2	Wujudkan.com	2012	Creative industries (Films, documentaries)	Donation based.

3	Kitabisa.com	2013	fund social projects in creativity, technology, etc. (revenue USD159K)	Donation based: Monthly donations or 'zakat' (alms-giving ⁶)
4	Gandengtangan.org	2015	Peer to peer lending.	Donation based. (Root & Obijiaku, 2017)

Source: by Author on data of FinTech Indonesia Start Up Report 2016 and platforms' website

Based on the observation, the fund-raising in the term of tourism is taken into account as "social projects" for example in kitabisa.com (see table 16) However, there is no specific platform dedicated for rural tourism yet.

⁶ Alms giving: (historical or religious contexts) the practice of giving money

Table 17 - Summary of Crowdfunding in Indonesia

SUB-CHARACTERISTIC		REMARKS
1.1	Investment Stage	Seed stage, early stage
1.2	Key Players	<ul style="list-style-type: none"> • Crowdfunding platform as intermediate between funders and initiators. • Initiators: individuals, start-up firm, SMEs. • Funders: family, friends, individuals (United Nation, 2017)
1.3	Sources of Funding	Donation-based, Equity-based, Lending-based, Reward-based (Galkiewicz & Galkiewicz, 2018)
2.1	Financial Market Development (Exits)	<i>Data Not Available (regulation is under development)</i>
2.2	Return On Investment	<ul style="list-style-type: none"> • Donation-based: no rewards • Equity-based: shares • Lending-based: interest payment • Reward-based: token based e.g. pre-sales of a product (Galkiewicz & Galkiewicz, 2018)
3	Legal Environments / Policy	Registered in Indonesian Financial Service Authority (<i>Otoritas Jasa Keuangan "OJK"</i>). In accordance with Regulation No.77/POJK.01/2016 concerning Information Technology–Based Money Lending Services ("P2P Lending Regulation"), and Regulation No./POJK.04/2018 concerning Information Technology-Based Equity Crowdfunding (<i>Layanan Urun Dana Penawaran Saham</i>).

4.1	Economic Appeal	<ul style="list-style-type: none"> • Seeking growth, development, integration (Asean, 2017) with the government regulation allows both foreign (e.g Singapore) and domestic backers (United Nation, 2017). • Closing the funding gap at the seed stage and help to show proof to Venture Capital and Angel Investors in later stages of funding (United Nation, 2017).
4.2	Social Appeal	<ul style="list-style-type: none"> • Encouraging the Indonesian spirit of social cooperation (<i>gotong royong</i>) (United Nation, 2016) • Encouraging sustainable development for community (United Nation, 2016)

3.1.3 Business Angels

Business Angel is still considered very new in Indonesia, and the regulation is still under development. This increase of startup businesses in Indonesia is not separate from the role of business angels who are willing to inject capital, which usually targets start-up whereby the funding is considered too small for the venture capitalist. The table below shows the definitions of Angel Investors investment:

Table 18 - Angel Investor Definition and Characteristic

DEFINITIONS	SOURCE
A private individual with a high net worth and high business experience, who directly invests part of his or her personal assets in new and growing private businesses. Business angels can invest individually or as part of a group where one angel takes the lead.	(European Commission, 2018)
A private accredited investor who invests his/her money for a new small and medium enterprises, especially during the seed stage. They provide skills, experience, in exchange for ownership equity.	International Journal (Ramadani, 2012)

Risk Sharing Scheme

The figure below shows the Business Angel Scheme

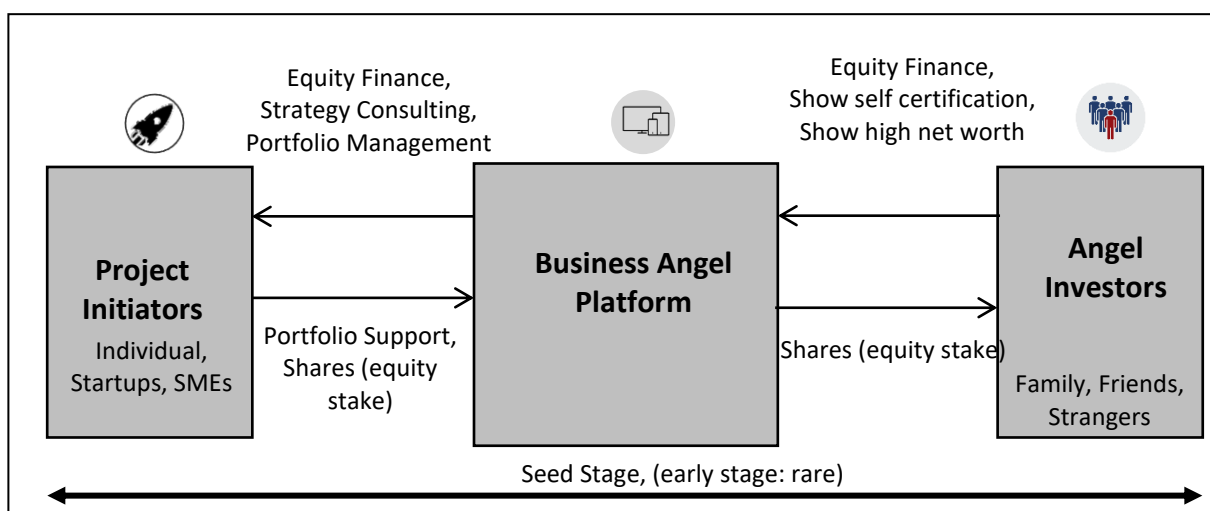


Figure 13 - Business Angel Scheme

Source: By Author on the article of (Business Angels Association UK, 2018)

There is no regulation existing for the business angel in Indonesia as yet, as angel investment is a relatively new concept in Indonesia. However, the draft of the regulation will set the minimum amount of investment to be given to one startup at IDR1 billion (USD76,000) while the maximum number of startups that an angel investor can invest in is four.⁷

Table 19- Angel Platforms In Indonesia

	BUSINESS ANGELS PLATFORM	EST.	SERVICE/ PRODUCT	SOURCE OF FUNDING
1	ANGIN Angels	2013	Professional Services, technology, agriculture, retail, F&B	Local, Foreigner Investors
2	ANGEL-EQ	2015	Innovation, Creativity, Technology	Local, Foreigner Investors

Source: by Author on data of platforms' website on November 2018

There are very limited Business Angel platform in Indonesia (see table 19) and as it is still considered new, no regulation yet, and based on the observation there is no specific project yet in the scope of tourism. However, services like agriculture could be viewed as one of the factors to boost to tourism. The table below (see table 20) shows the summary of Business Angels:

Table 20 - Summary of Business Angel Characteristics and Indicators

	SUB-CHARACTERISTIC	REMARKS
1.1	Investment Stage	Seed stage, early stage
1.2	Key Players	Platform, Angel Investors, Entrepreneurs/ SMEs
1.3	Sources of Funding	Local and Foreigner Angel Investors
2.1	Financial Market Development (Exits)	There are no exit plan such as Merger & Acquisition or to go IPO and the business in focusing on early stage.

⁷ <https://e27.co/indonesias-financial-service-authority-set-regulation-angel-investors-2016>

2.2	Return On Investment	Shares : equity stake Return on Investment is not as strict timeframe as Venture Capital
3	Legal Environments / Policy	Under development by Indonesia Financial Authority (Otoritas Jasa Keuangan “OJK”). Draft : one startup at IDR1 billion (USD76,000) while the maximum number of startups that an angel investor can invest in is four. ⁸
4.1	Economic Appeal	To boost up economy through funding and capacity building.
4.2	Social Appeal	Data not mentioned.

⁸ <https://e27.co/indonesias-financial-service-authority-set-regulation-angel-investors-2016>

3.2 Summary Financial Tools Literature Review

Table 21- Summary of Indicators Comparison Between Venture Capital, Crowdfunding, and Business Angel

	CHARACTERISTICS, SUB-CHARACTERISTICS, INDICATORS	VENTURE CAPITAL INVESTMENT	CROWDFUNDING INVESTMENT	BUSINESS ANGEL INVESTMENT
1	Risk Sharing Schemes			
	1.1 Investment Stages			
	Seed Stage ⁹ (Series A,B,C rounds)	✓ (most needed)	✓	✓
	Early Stage (Series F)	✓	✓	✓
	Later Stage	✓ (less needed) ¹⁰	✗	✗
	Expansion Stage	✓ (less needed)	✗	✗
	1.2 Key Players			
	Online Platform educates the SMEs/ entrepreneurs	✗	✓ ¹¹	✗
	Partnership with Government (Public Private Partnership)	Vary	Vary	Vary
	Investors are limited to experienced/ accredited investors.	✓	✗	✓
	Investors are shareholder who can tap into the business.	✓	✗	✓
	Investors provide guidance/mentoring to the business	✓	✗	✓

⁹ To show there is a demand for a product in the market place

¹⁰ It is less needed as other sources of capital are available (European Commission, 2018)

¹¹ Platforms have standards on how an entrepreneur/SME present their ideas on the platform (proper business plan, video, etc).

	CHARACTERISTICS, SUB-CHARACTERISTICS, INDICATORS	VENTURE CAPITAL INVESTMENT	CROWDFUNDING INVESTMENT	BUSINESS ANGEL INVESTMENT
	It is easy to find suitable/ gain investors.	✗	✓	✗
	Investors have access to experts to develop the business	✓	✗	✓
	Investors provide investment upfront efore entrepreneurs/SMEs build the company and deliver the product.	✓	✗	✓
	Investors have the power for media exposure	✓	✗	✓
	Investors give charity/ donation	✗	✓	✗
	Investors willing to risk with unproven business model	✗	✓	✓
	Investor invests independently.	✗	✓	✓
	Investors invest with a group.	✓	✓	✓
	There are one leading investors.	✗	✗	✓
	Value added of the entrepreneurs/SMEs			
	Entrepreneurs/SMEs aim for short term funding (typically 3-5 year term)	✗ ¹²	✓	✗

¹² Venture Capital is known strongly for long-term funding (5 - 25 year term) source: <http://borrower.pricocapital.com/the-benefits-of-long-term-vs--short-term-financing-content-1497.php>

	CHARACTERISTICS, SUB-CHARACTERISTICS, INDICATORS	VENTURE CAPITAL INVESTMENT	CROWDFUNDING INVESTMENT	BUSINESS ANGEL INVESTMENT
	Entrepreneurs/SMEs pre-selling a goods/services to test the market.	✗	✓	✓
	Entrepreneurs/SMEs are fully maintain equity while raising capital.	✗	✓	✗
	Entrepreneurs try to proof raw ideas.	✗ ¹³	✓	✓
	Entrepreneurs come with detailed business plan including financial projection.	✓	✗	✓
2	Reputable Financial Intermediaries			
	2.1 Return On Investment (ROI)			
	ROI is the main goal critical (for profit).	✓	Vary ¹⁴	Vary
	ROI with a strict timeframe	✓ ¹⁵	Vary	✗
	ROI to furthermore raise new fund.	✓	✓	✓
	ROI in the form of shares	✓	Vary	✓
	2.2 Financial Market Development/ Exit Routes			

¹³ The ideas are typically sure about to generate income, not a test on the market to see the demand.

¹⁴ Crowdfunding e.g. donation-based do not need ROI to the investors/ funders.

¹⁵ Typically within 10 years.

	CHARACTERISTICS, SUB-CHARACTERISTICS, INDICATORS	VENTURE CAPITAL INVESTMENT	CROWDFUNDING INVESTMENT	BUSINESS ANGEL INVESTMENT
	Exit activity in the form of M&A	✓	Vary	Vary
	ROI leads to IPO (Initial Public Offering).	✓	Vary	✗ ¹⁶
3	Well Qualified			
3.1	Legal Environment being well developed	✓	Vary	✗
4	Market Driven			
4.1	Create Economic Appeal			
	Leads to economically advantaged/ low cost accommodation in the area.	Vary	✓	Vary
	Create self sustaining community	✓	✓	✓
	Knowledge education from platform to funders	✓	✗	✓
	Knowledge education from platform to SMEs	✗	✓	✗
	Create new potential project	✓	✓	✓
	Increase labour	✓	✓	✓
4.2	Create Social Appeal			
	Create more destination choice set	✓	✓	✗
	Create Large range of tourism activities	✓	✓	✗

¹⁶ Business Angel Investment alone is not enough to lead Company to IPO.

	CHARACTERISTICS, SUB-CHARACTERISTICS, INDICATORS	VENTURE CAPITAL INVESTMENT	CROWDFUNDING INVESTMENT	BUSINESS ANGEL INVESTMENT
	Create connection with local communities	✓	✓	✗
	Create culture events/ local attraction	✓	✓	✗

Based on the table above, a figure below has been made:

Comparison of Characteristic (based on potential and certainty)

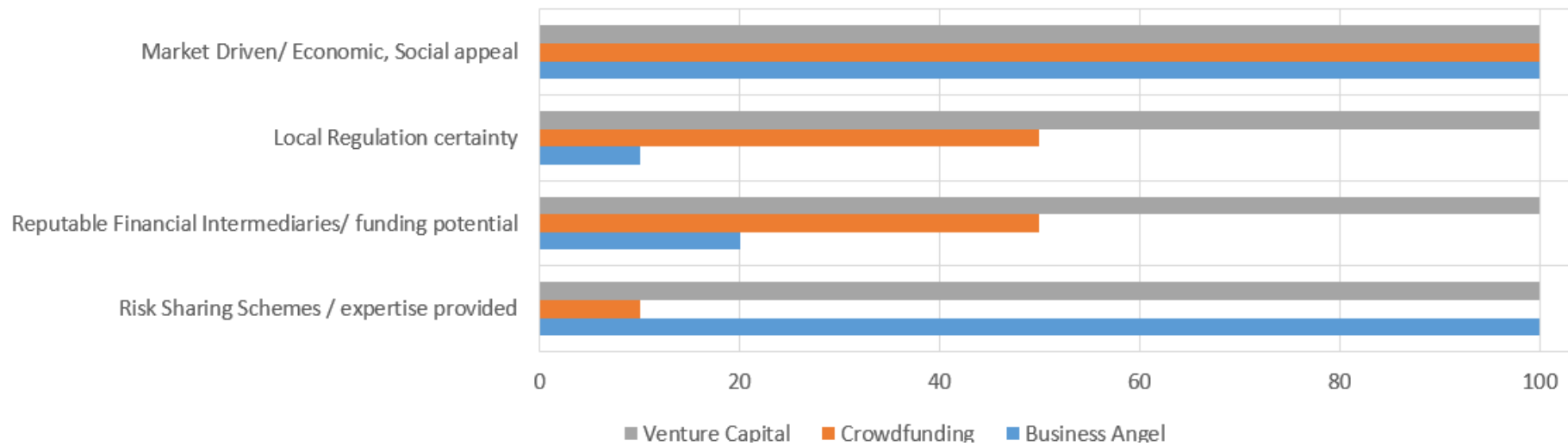


Figure 14 - Comparison of Characteristics of three Financial Tools

Based on the Characteristic table and above, a summary of advantage and disadvantage is made, which will be useful to guide which type of funding is best implemented in the case study in the next chapter.

3.3 Advantages and Disadvantages

Table 22 - Advantages and Disadvantages of Venture Capital, Crowdfunding, and Business Angels

CHARACTERISTICS		ADVANTAGES	DISADVANTAGES
1	VENTURE CAPITAL		
1.1	Risk Sharing Schemes	Venture Capital provide investors with a strong background and involve in the business (European Commission, 2018), through providing business planning and strategy, mentoring the managers, providing strategic, technical, commercial, and legal advice, improving corporate governance, helping to recruit key staff, and making connections (World Bank Group, 2013). The venture capital sectors are wide including accommodation, hospitality, and tourism sectors.	VC fund investors have a strong control over the portfolio company and majority share on the SMEs (Tykvová & Borell, 2012)
1.2	Reputable Financial Intermediaries (ROI,	ROI: though they are long-term investors, venture capitalists ultimately want to exit their investments	Return On Investment is important and set with a specific timeframe.

CHARACTERISTICS		ADVANTAGES	DISADVANTAGES
	financial market development)	on financial terms that are most advantageous to themselves and their investors. (World Bank Group, 2013).	
1.3	Well Qualified (Policy/ Regulation)	Governments intervention in the VC market with several types of measures, such as by attracting foreign experienced funds to operate in the region, building more connected networks, or supporting entrepreneurs to become investment ready. (World Bank Group, 2013)	Uncertainty of aligning the business to policy goals of governments (grey area): Policymakers pay attention more that the businesses must comply to regulation: pay tax support, growing domestically, value-adding activity locally. (World Bank Group, 2013)
1.4	Market Driven (Economic Appeal, Social Appeal)	Chance to increase Economic and Social Appeal can be studied through networks of collaboration among investors, universities, R&D centers, large and technologically oriented firms, entrepreneurs, and skilled workers. (World Bank Group, 2013)	No disadvantage regarding to social appeal.
2	CROWDFUNDING		

CHARACTERISTICS		ADVANTAGES	DISADVANTAGES
2.1	Risk Sharing Schemes	Flexible in scope and scale, especially in small projects that would not be attractive propositions for other types of investors relying on more expensive due diligence processes (World Bank Group, 2013). Crowdfunding can be either reward-based or equity-based, and holds potential for tourism (OECD, 2018).	Bad investment decision as the aggregation of information come from uninformed individuals (World Bank Group, 2013).
2.2	Reputable Financial Intermediaries (ROI, financial market development)	Crowdfunding platform offers return in the form of equity stake and allows less strict ROI timing compared to venture capital.	Tourism investment risk including potential change in rules and regulations and shift in consumer market increase ROI volatility (OECD, 2018).
2.3	Well Qualified (Policy/Regulation)	Even the regulation is still new, Indonesian government supported crowdfunding as a way to improve productivity and competitiveness in international market in various sectors. (Santos, 2015)	As the regulation is quite new (2015) the concept of crowdfunding on a platform basis still have trust issues. (Santos, 2015)
2.4	Market Driven (Economic Appeal, Social Appeal)	Crowdfunding as a finance helping to close the sustainable tourism investment gap, and crowdfunding are best used when markets fail to	Project Initiator need a strong pitch to gain interests of the crowd (Santos, 2015). Less-images and bad quality video do not obtain the attention.

CHARACTERISTICS		ADVANTAGES	DISADVANTAGES
		allocate resources or when considerations beyond economic efficiency prevail (OECD, 2018), in this case such as in rural tourism sector.	
3	BUSINESS ANGELS		
3.1	Risk Sharing Schemes	Business Angel fill the “funding gap” between internal sources e.g. friends, family, and outside sources e.g. venture capitalists , as business angels involve in smaller investments than venture capitalists (World Bank Group, 2013). Expertise provided to guide the tourism project.	Low Funding Potential. Angels tend not to have the volume of funds to reinvest in later stages, and also not always bring relevant knowledge to the business. (World Bank Group, 2013)
3.2	Reputable Financial Intermediaries (ROI, financial market development)	Absence of payment to investor at starting point may be agreed on (Dibrova, 2015).	Angel investors tend to have a high expectancy on annual return with effective IRR (internal rate of return) from 20%-30%.
3.3	Well Qualified (Policy/ Regulation)	According to the regulation draft, minimum investing is IDR 1billion and maximum investing is 4 start-up companies (Eka, 2016).	The official regulation is still under development and therefore the investment is still risky.
3.4	Market Driven (Economic Appeal, Social Appeal)	Some of the business angels are altruistically interested in social projects (United Nation, 2016),	No disadvantage regarding to economic appeal and social appeal.

CHARACTERISTICS	ADVANTAGES	DISADVANTAGES
	including in the industry category of hospitality, recreation and tourism.	

4. The Benchmarks

4.1 Selected Criteria

The benchmark selection of financial tools applied to finance accommodation sector businesses were chosen based on the following criteria:

- Partnership with accommodation sharing platform funded by Venture Capital Investment.
- Partnership with Tourism and Crowdfunding platform dedicated for ecotourism / village tourism projects.
- Business Angels platform case study for general SMEs (note: the successful case of Angel Investors observation is limited by the requirements of additional verification and professional accreditation to access, therefore the closest benchmark is regarding to the government policy intervention to support angel platform).

Information was gathered from the three main platform websites (Airbnb, 2018), (Tribewanted, 2018), (Cradle Fund Sdn Bhd, 2018), scientific papers, and report that mentioned important case studies, for example main report from World Bank (World Bank Group, 2013). Each of the benchmark characteristics will be aligned to the Karangasem case study and one benchmark will be selected as the most similar or appropriate (see figure 15).

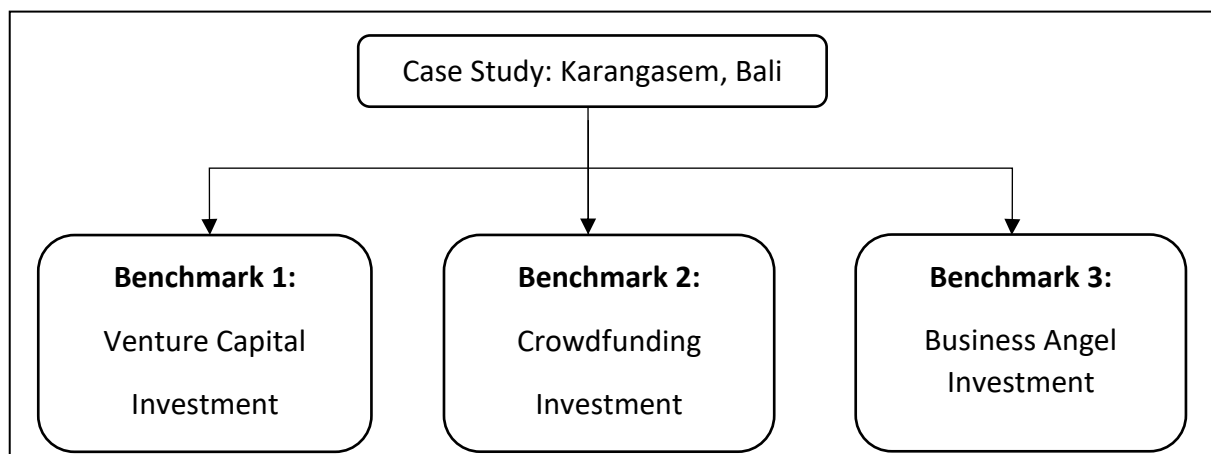


Figure 15 - Financial Tools Benchmarking

4.2 Characteristic Comparison

In this chapter, the comparison of each benchmarks are based on “Characteristics and Sub-characteristic Access to Finance for SMEs” that has been explained in the Chapter 2.

Table 11- Financial Tool Characteristics and Subcharacteristics

CHARACTERISTICS		SUB- CHARACTERISICS	
	Websites (European Commission, 2018) Policy Areas		Journals (Lerne & Tag, 2013); (Tussyadiah & Pesonen, 2016)
1	Risk Sharing Schemes	1.1	Investment Stage
		1.2	Key Players
		1.3	Source of Funding
2	Reputable Financial Intermediaries	2.1	Financial Market Development
		2.2	Return On Investments
3	Well Qualified	3	Legal Environment ¹⁷
4	Market Driven	4.1	Social Appeal
		4.2	Economic Appeal

Source: by Author on the data of (European Commission, 2018), (Lerne & Tag, 2013); (Tussyadiah & Pesonen, 2016)

4.3 Three Case Studies

1. Venture Capital Investment: Partnership with Airbnb.com in Yoshino, Japan
2. Crowdfunding Investment: Partnership with Tribewanted.com in Sierra Leone, Africa
3. Business Angel Investment: Cradle.com as angel platform in Malaysia

The purpose of benchmarking is to evaluate several “successful projects” connected with accommodation sharing platform to achieve valuable goals for rural tourism areas. In the next chapter, these benchmarks will be compared to the case study of rural tourism in Karangasem, Bali.

¹⁷ Legal Environment: code of conduct that defines the legal boundaries for business activity

4.3.1 Venture Capital Investment



Picture 1- Facade of Yoshino Cedar House, The Sunset Room, Café;
Source: (Yoshino Cedar House, 2018)

General Information

Project Name	: Yoshino Cedar House (homestay)
Location	: Yoshino-Gun, Nara, Japan
Platform	: Airbnb (accommodation sharing platform)
Financial Tools Used	: Partnership with Airbnb.com backed by Venture Capital Investment
Total Revenue	: USD 27,804 (EUR 24,545) during 2017-2018 Average earning of listings: USD 2,139 (EUR 1,888) during 2017-2018
Duration	: 1 year 7 months (September 2015 – April 2017)
Investment Stages	: Seed Stage, Early stage

Key players: Partnership between Airbnb, Yoshino district government, and local communities

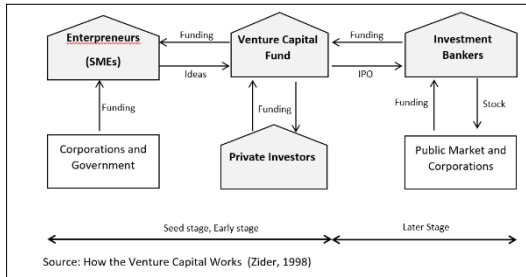
Yoshino is a small district nestled in the mountains of Nara (see picture 1). The “Yoshino Cedar House” began as a collaboration between Airbnb, Yoshino district authority, Japan architect firm Go Hasegawa, and the local communities in Yoshino, and it continued to build together a technology, community-based, and cultural craftsmanship connected with the accommodation sharing platform. The project explores how accommodation sharing, architecture and culture can revitalize rural communities (Yoshino Cedar House, 2018).

Seed Stage and Early Stage Investment

The early project was mainly funded by Airbnb with Venture Capital-backed investors. In 2015, the house was built in Yoshino and unveiled in Tokyo, and a year later in April 2017 it

gained business and café licenses and opened as an official listing of Airbnb (Yoshino Cedar House, 2018).

Venture Capital Investment Scheme



The diagram below (see figure 17) shows the Venture Capital Investment scheme applied to the Yoshino project, which the scheme is adapted from the previous Chapter 3: Venture Capital literature review and discussion

Figure 16 - How Venture Capital Works
source : (Zider, 1998)

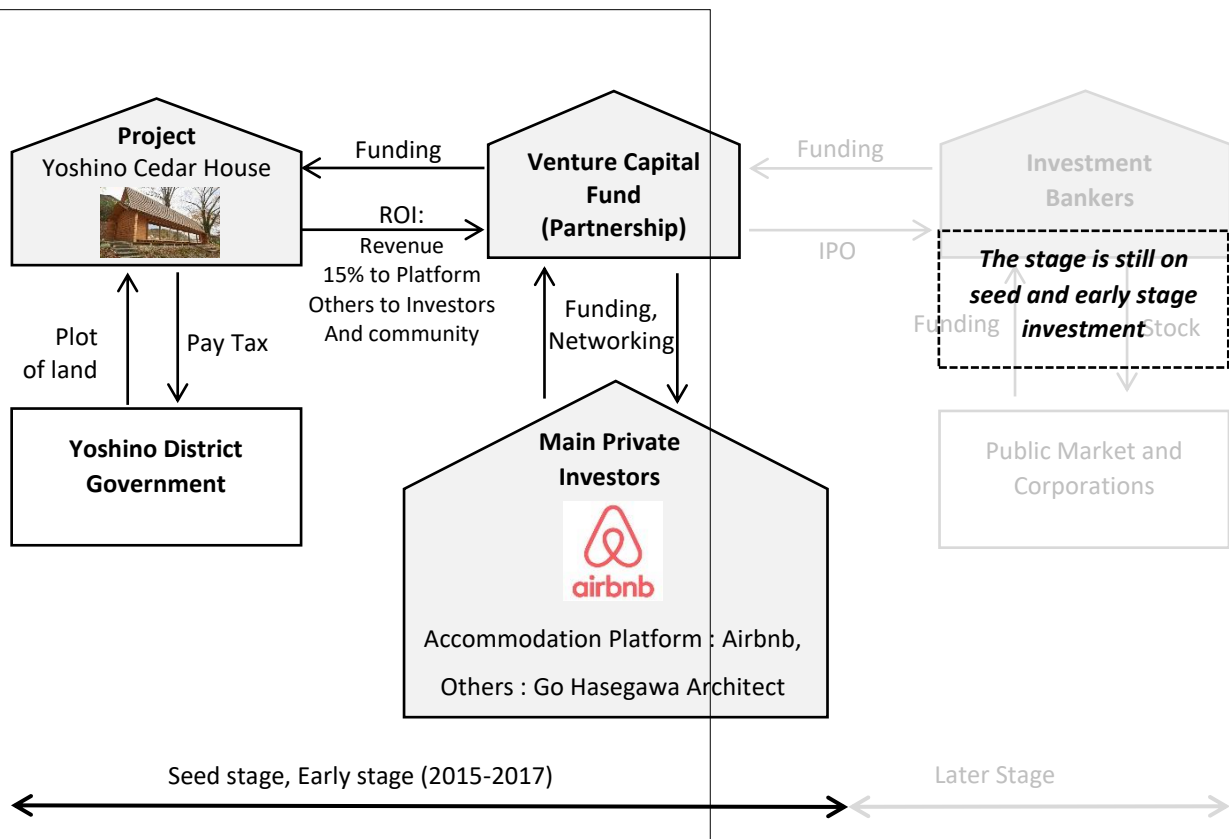


Figure 17 - Venture Capital Scheme of Yoshino Cedar House

Source: by author on the data of "How the Venture Capital Works" (Zider, 1998)

Legal Environment

Since 2017, Japan government has constituted a new law with regards National Strategic Special Zones Act, which previously had unclear and restrictive rules for home sharing.

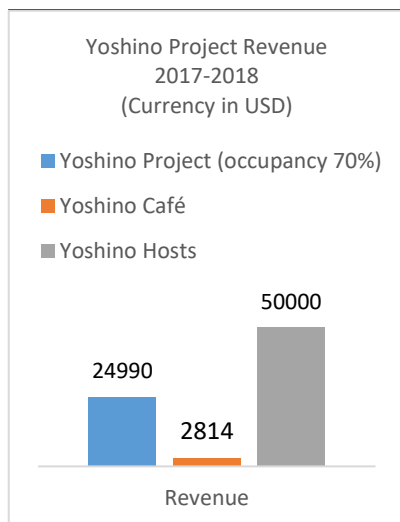
However, the process of complying with the new rules and registering was considered difficult for the Airbnb business to enter the market.

ROI (Return On Investment)

There is no data regarding ROI target of the Yoshino project. However, according to (Airbnb, 2018) the project is aimed for a long run and the revenue is re-distributed to Airbnb platform (3% service fee from hosts, 6-12% booking fee from guests), to pay business tax to the Yoshino District authority, and the rest re-invested in the Yoshino community for the promotion of cultural events.

Market Driven : Economic Appeal and Social

Economic Appeal



According to Airbnb report (Airbnb, 2018), over the first twelve months 2017-2018, there were 346 guests from around the world. In terms of total revenue (see figure 18), it implies that the total revenue of Yoshino hosts have surpassed the total revenue of the Yoshino project itself.

Yoshino Cedar House homestay has a 70% occupancy rate. It earned USD 24,990 (EUR 22,061) which was split up amongst the cooperative, with a large portion re-invested into the

community. The café made an additional USD 2,814 (EUR 2,484) through food and beverage (F&B) business. Collectively, during the same time period, the total earned by hosts in the district was over USD 50,000 (EUR 44,206).

Figure 18 - Yoshino Cedar House Revenue 2017-2018

Source: by author on data of (Airbnb, 2018)

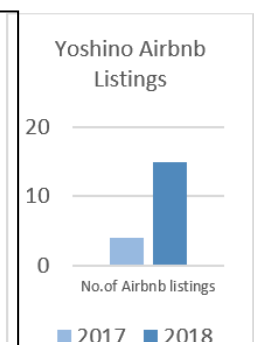


Figure 19 - Airbnb listings in Yoshino District 2017-2018

by author on data of (2018)

Beyond the house, 70 jobs were supported as a result of the project. The impact of the house has inspired others to try home-sharing. There were just 4 listings existing on Airbnb in the Yoshino district previously, however as of 2018 it had increased to 15 listings (see figure 19). Providing a means of support to its aging population to get more income.

Social Appeal

Preserving Culture Through Local Experiences

The increase in tourism has garnered exposure of the artisans and craftspeople of the town. In consequence, the occupancy in the off season has increased as the hosts discovered the financial benefit. Even during February to March 2018, where the monthly average temperature was considered low at 13°C, the guest number increased from 20-50 guests (see figure 20).

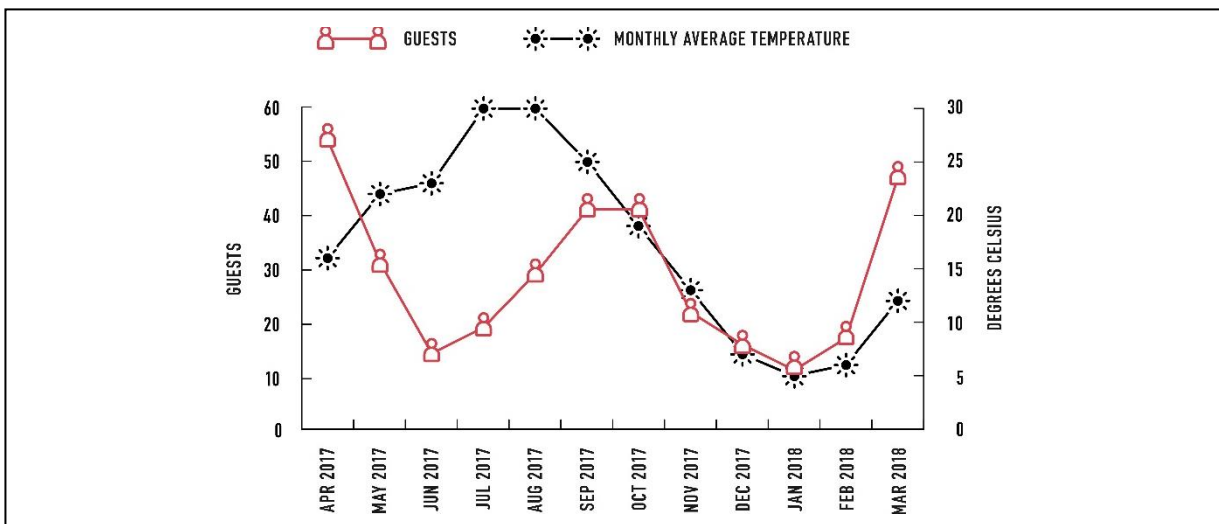


Figure 20 - Monthly Occupancy and Temperature in Yoshino, Source: (Airbnb, 2018)

Increase of Local Activities

The increase in local experiences can be found in tangible way (see figure 21), it indirectly creates job opportunities to the local communities while sharing it with others.

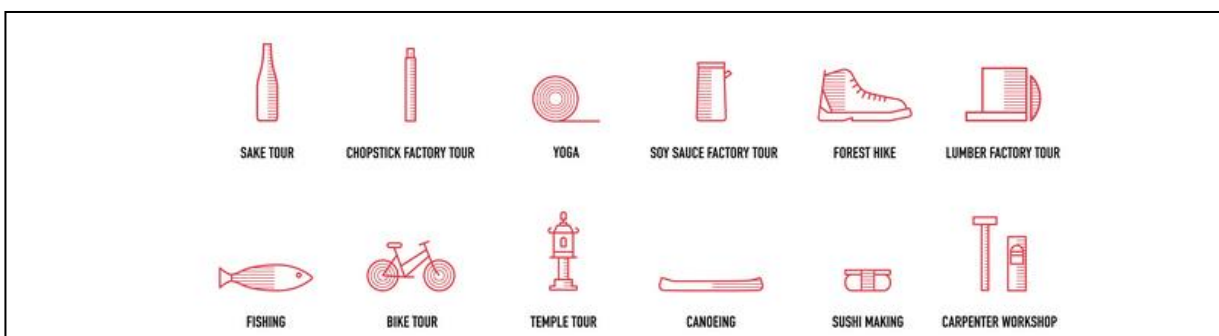


Figure 21 - Local Activities in Yoshino District, Source: (Airbnb, 2018)

Culturally Rich Communities

The house has offered a model for economy, social, and environment development within cultural communities in Japan and beyond. The project is believed to be a prototype for a model of community driven hospitality. In consequence, developing best practices for working with rural communities and expanding our investments in rural revitalization; boosting tourism and giving new energy to the economies (Airbnb, 2018).

Table 23- Summary of Characteristic of Yoshino Cedar House

SUB-CHARACTERISTIC	REMARKS
1.1 Investment Stage	Seed stage, early stage
1.2 Key Players	<div data-bbox="815 745 1078 815" style="text-align: center;"> <p style="font-size: small; text-align: center;">Figure 2- Peer to Peer model, source: (European Parliament, 2017)</p> </div> <ul style="list-style-type: none"> • Platform: Partnership with Airbnb.com backed by Venture Capital Investment • Supply: Yoshino district government and Yoshino communities. • Demand: Local and International Travellers
1.3 Sources of Funding	Airbnb.com backed by Venture Capital Investment (total funding is not mentioned). (Airbnb, 2018)
2.1 Financial Market Development (exit plan)	The Project is still on early stage; No exit plan yet through M&A (Merger and Acquisitions) or IPO (Initial Public Offering) (Airbnb, 2018)
2.2 ROI (Return On Investment)	Data not available.
3 Legal Environments / Policy	<ul style="list-style-type: none"> • Laws and Regulations on Lodging business already adapted to disruptive innovation: <ul style="list-style-type: none"> ○ Issued by the Ministry of Health, Labour and Welfare. ○ Private Lodging Business Act issued in <u>Minpaku System Portal Site</u> by Japan Tourism Agency.

-
- National Strategic Special Zones Act; for special cases regarding the Inns and Hotels Act.
 - Act on Promotion of Development of Infrastructures for Leisure Stay in Rural Areas.
 - Laws and regulations on the building:
 - According to Local City Planning Act.
 - According to Fire Service Act.
 - According to Building Standards Act.

(Airbnb, 2018)

4.1 Economic Appeal
(during 2017-2018)

- Occupancy Rate : 70%
- Increased in job opportunities : 70 jobs
- Increased listings 5 to 15 listings
- Earnings of Yoshino Cedar House and Café : USD 27,804 (EUR 24,545)
- Average earning of Yoshino Hosts' : USD 2,139 (EUR 1,888)

(Airbnb, 2018)

4.2 Social Appeal

- Preserving culture through local experiences
- Increase local activities
- Creating sense of belonging
- Culturally rich communities

(Airbnb, 2018)

The Yoshino Cedar House as a part of rural tourism project in Yoshino District, Japan, is considered a successful project because it helps the area to sustain itself through a source of income, interaction, and interest with the outside world, and develop the Quality of Life through its better economy, social, and environment.

4.3.2 Crowdfunding Investment



Picture 2 - Bungalow in Tribewanted Sierra Leone, Tribewanted website image, Sierra Leone map
Source : google images

General Information

Project Name : Tribewanted Sierra Leone
 Location : John Obey beach, Sierra Leone
 Financial Tools Used : village tourism development with crowdfunding platform
 Platform name : tribewanted.com and crowdcube.com
 Total Funding : GBP 60,000 (EUR 68,881) in 2010
 Total Revenue : GBP 63,000 (EUR 72,325) during the first 15 months after opening
 Project Duration : 2010-2014
 Investment Stage : Seed stage, early stage
 Source: (Tribewanted, 2018), (Keene, 2012)

General Information

Tribewanted is a non-profit organisation that aims to create sustainable village cross-cultural communities, and it focuses on several locations by crowdfunding their development. In 2010, Tribewanted began to build ecotourism at a local fishing community at John Obey beach, Sierra Leone (see picture 2), in a project that started with eight bungalows (Tribewanted, 2018).

Risk Sharing Scheme

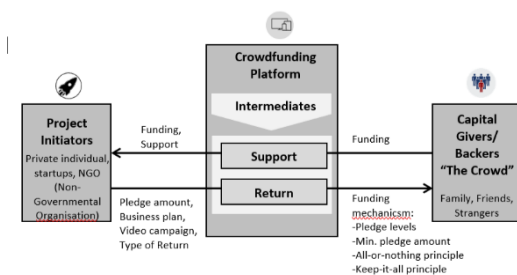


Figure 7 - Crowdfunding Scheme
Source: The Crowdfunding Principles (Gierczak, Bretschneider, Haas, Blohm, & Leimeister, 2015):

The diagram below (see figure 7) shows the Crowdfunding scheme applied to the Sierra Leone project, with the scheme adapted from the previous Chapter 3: Crowdfunding literature review and discussion (see figure 22)

Crowdfunding Scheme

The figure below shows the Crowdfunding scheme:

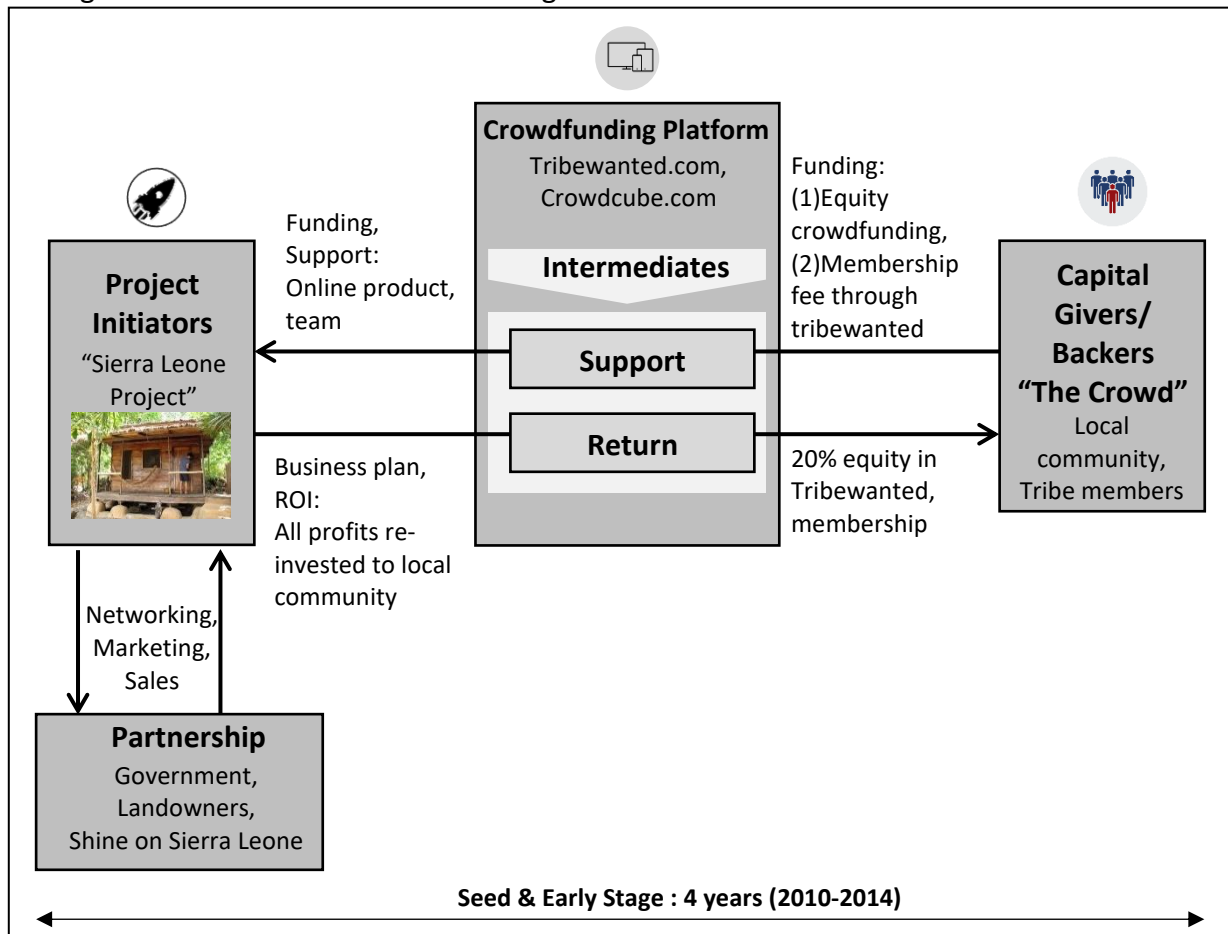


Figure 22 - Crowdfunding Scheme

Source: By Author based on *The Crowdfunding Principles* (Gierczak, Bretschneider, Haas, Blohm, & Leimeister, 2015):

Key Players

Tribewanted Sierra Leone has formed a partnership with the government, landowners and the local John Obey community in Sierra Leone. All profits generated from Tribewanted Sierra Leone will be re-invested in the local John Obey community in education and microfinance through Shine On Sierra Leone (realwire press release, 2010). "The Crowd" do not involve in the project at the managerial level, however, they can participate as volunteers in the project.

Financial Market Development:

Following the development phase years of 2010-2014, Tribewanted in 2015 handed back the project to the community. The local Sierra Leone community is expected to sustain itself by generating income from eco-tourism hospitality in the future. (Keene, 2012)

ROI (Return On Investment)

There is no ROI plan mentioned on the website. However, the project cost of GBP 7,200 per month is the average break-even point to run the project. The cost and revenues during the time frame 2010-2012 were as follows (see figure 23):

Season-1: One-year time frame during October 2010- October 2011

The Startup Costs : GBP 60,000

Revenues : GBP 38,000

Costs : GBP 67,000

Season 2 : Five months' time frame during October 2011- February 2012

Revenues : GBP 25,000

Costs : GBP 36,000

Source : (Keene, 2012)¹⁸

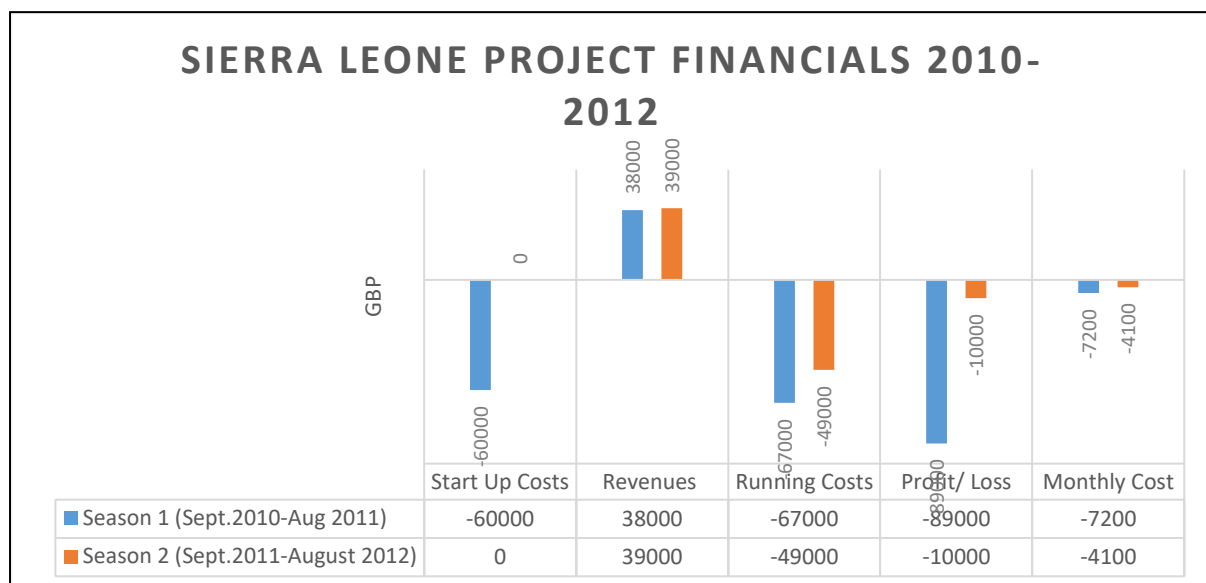


Figure 23 - Sierra Leone Project Financials 2010-2012

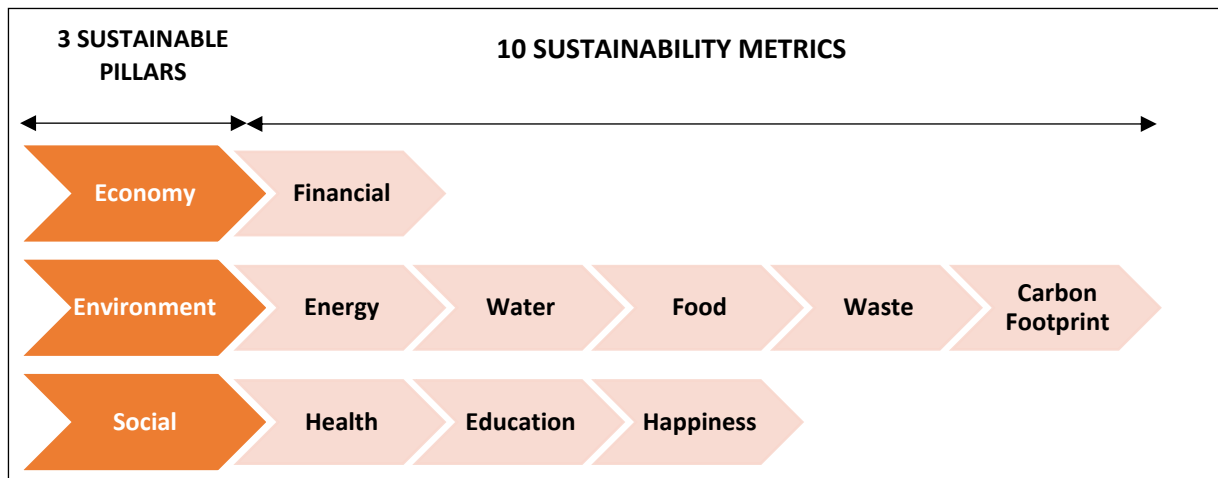
Source: By Author on the data of (Keene, 2012)

Economic Appeal

The economic appeal of the project is measured through its Sustainability. According to (Keene, 2012), the Sierra Leone project developed 10 metrics or indexes (see picture 5) in the

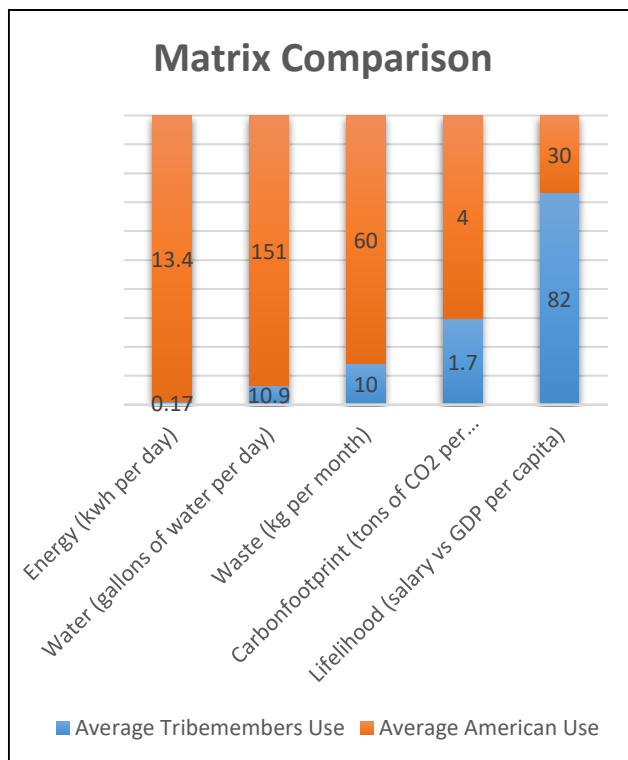
¹⁸ There was no revenue data found after year 2012.

hope of developing of a sustainable of community, which is based on the three main pillars of economic, environmental, and social.



Picture 3- Sierra Leone Project Sustainability Metrix, source: beta.tribewanted.com

A balanced use of the metrics is believed to create a wealthy and sustain community that can be replicated. The ten metrics are per the perspective of financial, energy use, water, waste, carbon footprint, employment, health, education, and happiness. The details of the metrics can be seen in the [Appendix 3](#).



The average salary of the full-time local workers is USD 82 / month (EUR 72.9) and considered significant compared to the GDP/Capital average in Sierra Leone of USD 30 GDP/capita (EUR 26.7). The salary has shown a 17% increase from the previous year.

Social Appeal : Eco-tourism cross-cultural community developed from scratch. Five expats and 30

locals, solar power, permaculture gardens, water harvesting, compost toilets, bucket

showers, earth-bag domes and traditional wood homes and participated in these developments, and we were financially sustainable in February for the first time.

That Sierra Leone has huge potential to be an example to the world in green energy and agriculture, water harvesting, eco-tourism and more. But it has sizeable weaknesses as well - first and foremost there needs to be a shift of accountability, especially at the government level and in the upper class. The challenge now is to take Tribewanted from a purely eco-tourism project to a wider global sustainable living communities' model. The table below shows the Summary of the project:

Table 24- Summary of Characteristic of Tribewanted Sierra Leone Project

SUB-CHARACTERISTIC	REMARKS
1.1 Investment Stage	Seed stage, Early stage
1.2 Key Players	<div data-bbox="810 981 1102 1055" data-label="Diagram"> <p>The diagram illustrates a peer-to-peer model with three main components: 'Demand' (a grey circle on the left), 'Platform' (a blue rectangle in the center), and 'Supply' (a grey circle on the right). Arrows point from Demand to Platform and from Platform to Supply, indicating a flow of interaction.</p> </div> <p data-bbox="836 1070 1126 1086"><small>Figure 2- Peer to Peer model, SOURCE: (European Parliament, 2017)</small></p> <ul data-bbox="692 1093 1315 1541" style="list-style-type: none"> • Platform: Partnership with Tribewanted.com (Tourism Platform) which owns Crowdcube.com (Crowdfunding Platform) • Supply: Sierra Leone government and local communities volunteer program “Shine on Sierra Leone” • Demand: Local and International Travellers
1.3 Sources of Funding	<ul data-bbox="692 1563 1206 1771" style="list-style-type: none"> • Tribewanted (through membership) • Crowdcube.com as subsidiary of Tribewanted Ltd (through equity crowdfunding)
2.1 Financial Market Development	<ul data-bbox="692 1800 1315 2009" style="list-style-type: none"> • Lead to self-sustaining sustainable tourism prototype. • The new project has the backing of the Sierra Leone government and local charities, and all

	profits are invested into the surrounding communities through its partner Shine On Sierra Leone.
2.2 Return On Investment	Data not available. However, the project cost of GBP 7,200 per month is the average break-even point to run the project.
3 Legal Environments / Policy	No specific Legal regulation mentioned as Sierra Leone government still developing the policy of crowdfunding investment.
4.1 Economic Appeal (in one year period)	<ul style="list-style-type: none"> • Developing self sustainable tourism through ten indexes : financial, energy use, water, waste, carbon footprint, employment, health, education, and happiness. • Create jobs for the local community (30 employees). • Inviting more travellers to come to the area.
4.2 Social Appeal	<ul style="list-style-type: none"> • Developing self sustainable tourism three main pillars : main pillars of economic, environmental, and social. • Eco-tourism and community experiences • Increase local activities • Creating sense of belonging • Culturally rich communities: Small fishing community at John Obey beach

The project is considered successful as it promoted a self-sustaining eco-tourism project. The area has strong natural and cultural tourism potential, untouched forest, ocean and lagoon, and local cultured people.

4.3.3 Business Angel Investment

General Information

Platform Name : Cradle Fund
 Location : Malaysia
 Financial Tools Used : Business Angel support system platform “Cradle Fund”
 Established : 2012
 Source : (MBAN, 2018), (Regina, 2012)

General Information

There is no particular business angel case study regarding to accommodation in a rural tourism area, however, this benchmark did focus on the awareness of government to develop the establishment of Angel platforms in Asia, specifically, Malaysia. In this benchmark, the Malaysian Government performs interventions to encourage business angel’s support, co-investment funds¹⁹, and platform support (World Bank Group, 2013).

Risk Sharing Scheme

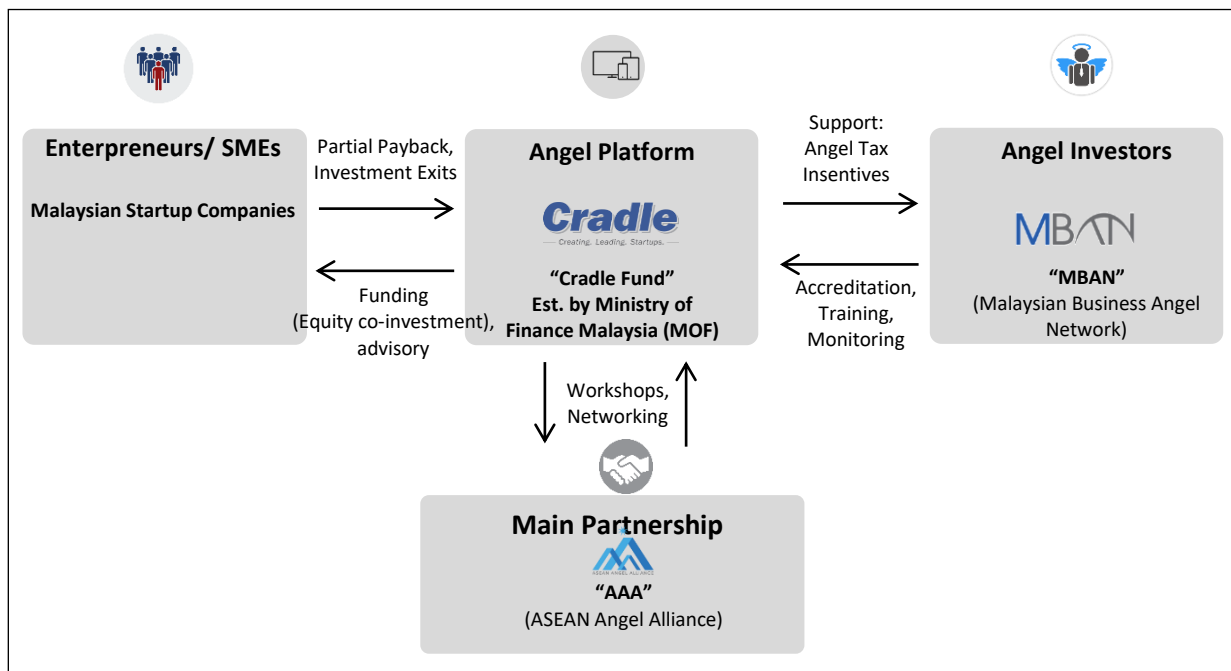


Figure 24 - Risk Sharing Scheme Angel Platform "Cradle Fund"

Source: by Author on data of (Cradle Fund Sdn Bhd, 2018)

¹⁹ Governments co-invest with angels in innovative businesses, either via pooled angel investment vehicles or with individual angel investors (World Bank Group, 2013).

In figure 23, The “Cradle Fund” is an early stage start-up influencer platform established by Ministry of Finance under the Malaysian government (Cradle Fund Sdn Bhd., 2018). The Malaysian Business Angel Network (MBAN) acts as the umbrella body like a trade organization (Regina, 2012) providing accreditation and training to the investors and also monitors the Angel Investment statistics in Malaysia. In return, the Cradle fund provides Angel Tax Incentives support to the MBAN in order to attract more investors in young high-growth companies (World Bank Group, 2013). The cradle fund provides service of a product from the pre-seed stages, to startup, to growth stage (see figure 25).

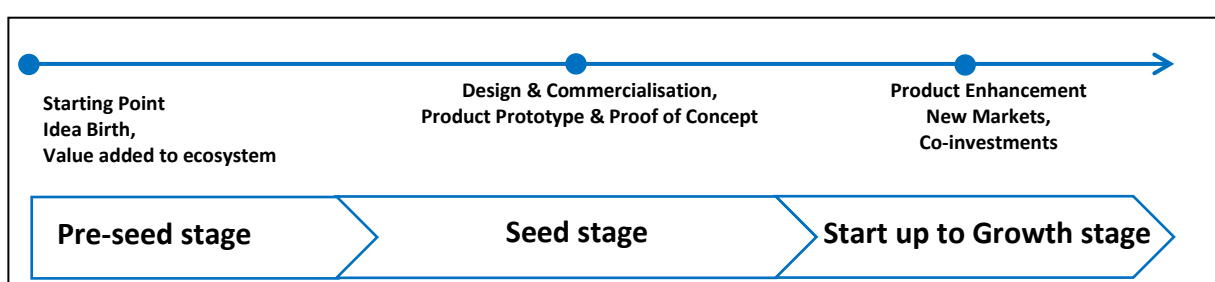


Figure 25 - Cradle in the Business

Source: by author on data of (Cradle Fund Sdn Bhd, 2018)

Table 25 - Summary of Characteristic of Cradle Fund

SUB-CHARACTERISTIC	REMARKS
1.1 Investment Stage	Pre-seed stage, seed stage, startup stage
1.2 Key Players	Owner: Malaysian Government Platform : Cradle Fund Investors : MBAN (Malaysian Business Angel Network)
1.3 Sources of Funding	MBAN ; with total funding USD 150 million (MBAN, 2014)
2.1 Financial Market Development	<i>Data not available.</i>
2.2 Return On Investment	Partial Paybacks, Investment Exits (M&A, IPO)
3 Legal Environments / Policy	Incorporated under MOF (Ministry of Finance Malaysia) regulation.

4.1 Economic Appeal (in one year period)	<ul style="list-style-type: none"> • Monetary aid/ tax incentives • Value-added services: Capacity building and network support • Co-investment schemes between Government with Angel Investors
4.2 Social Appeal	<i>Data not available.</i>

The program is considered a success and continues developing due to the policy intervention from the government and partnerships. The Cradle fund has helped fund over 900 Malaysian startups and holds the highest commercialisation rate amongst government grants in the country (Cradle Fund Sdn Bhd, 2018).

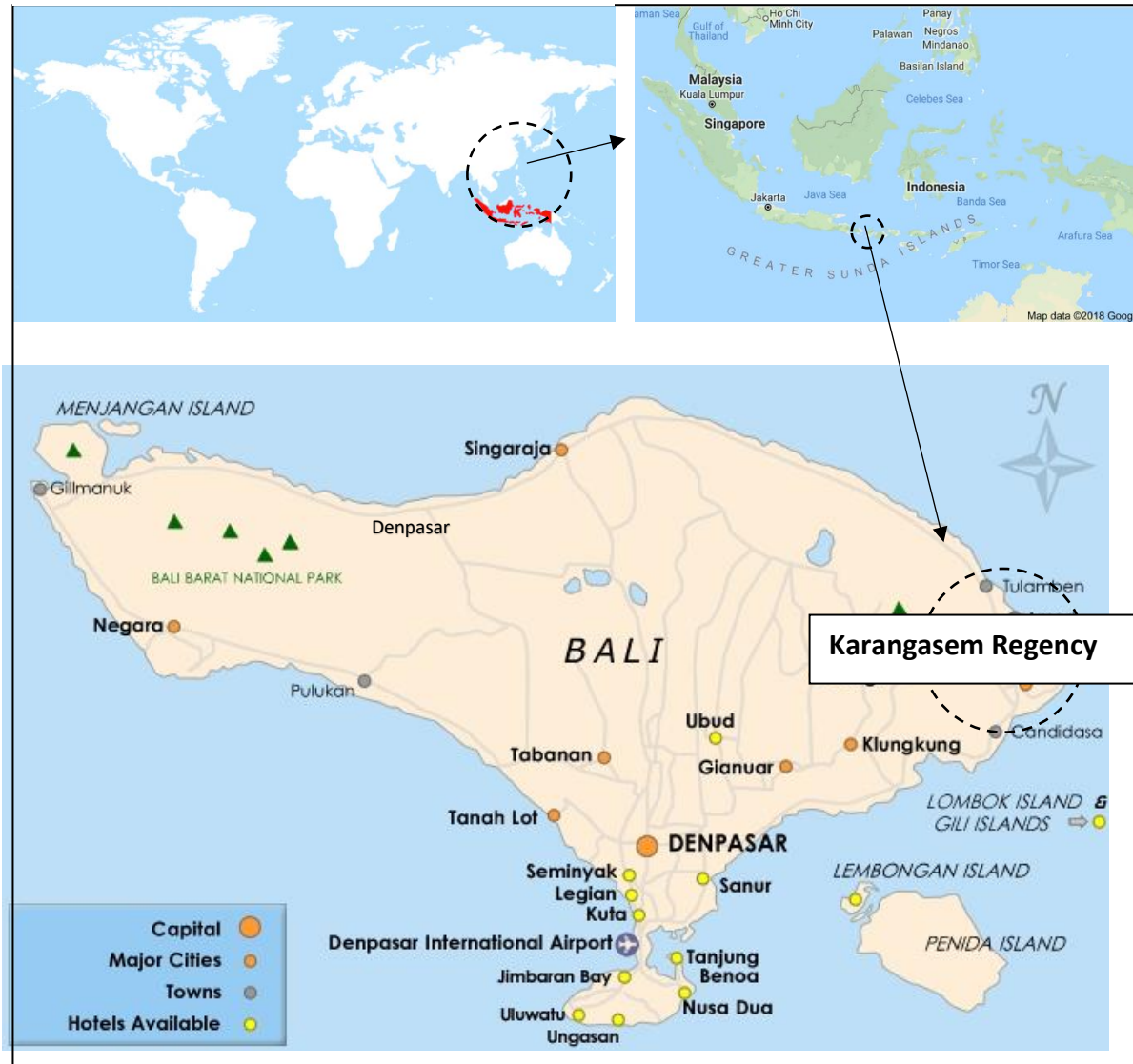
5. Analysis of the Case Study in Karangasem, Bali

Previous chapters have focused on the analysis of tourism, accommodation sector, and the associated financial tools. The aim of this chapter is to study the accommodation sharing economy and the financial tool best applied in the context of tourism in Karangasem, Bali.

5.1 Geographical and Demography Analysis

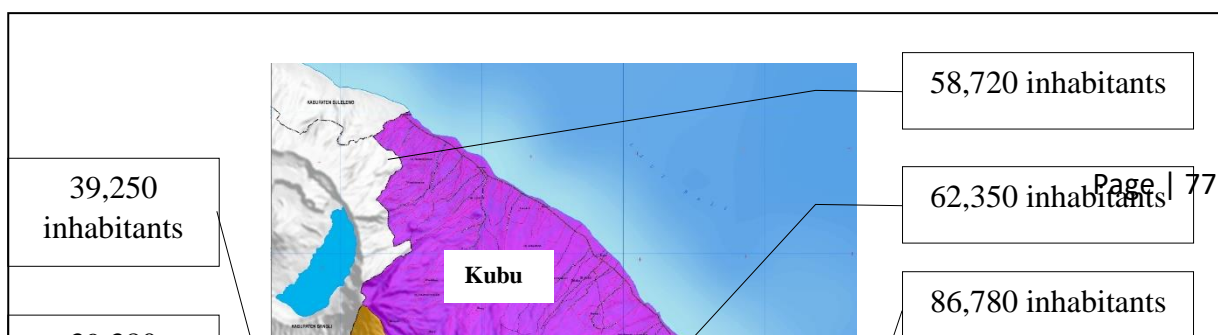
Rural tourism is This section provides an overview of the short accommodation sector potential within tourism in Karangasem, Bali, Indonesia (see picture 4). It describes the key players, insight into the potential of tourism, insight into economic development, and explains the regulation shaping the potential of the short-term rental market.

Picture 4 - Location Map



General Insight into Tourism in Indonesia

Karangasem is divided into eight sub-districts: Karangasem, Manggis, Rendang, Selat, Sidemen, Abang, and Kubu (see picture 5). The following map shows the area of Karangasem regency and its sub-districts:



Source: Local official statistic authority (BPS-Statistics of Karangasem Regency, 2017)

GDP in Indonesia

The case study of this thesis is located in Indonesia, South East Asia. (see figure 8). Indonesia is an archipelago country consisting of more than 17,500 islands. Based on (Trading Economics, 2018) the Gross Domestic Product (GDP), Indonesia was worth USD 1,015.54 billion (EUR 892.2 billion) in 2017. The GDP value of Indonesia represents 1.64 percent of the world economy. GDP in Indonesia averaged 255.54 USD billion from 1967 until 2017, reaching an all-time high of 1,015.54 USD billion in 2017 and a record low of USD 5.67 billion in 1967.

The case study is located in Bali. Bali is known as the 'island of the Gods' and is a global tourist destination famous for its natural beauty and cultural tourism. The touristic places and events vary from volcanoes, beaches, and terraced rice fields, to hindu ceremonies, arts, crafts, and temples. The climate in Bali is tropical, warm and humid all year round.

5.2 Location of the Case Study

Karangasem, located on the East Coast of Bali, is located approximately 85 km from the international airport Ngurah Rai. Karangasem has great potential for cultural arts by hereditary communities, and has the unique combination of coastal areas, rice fields, cliffs,

and mountains (Mount Agung, the highest mountain in Bali), providing a natural panorama that adds to the attractiveness. According to the Head of Statistics of Bali Province, the number of foreign tourists visiting Bali has recovered from the decline due to the high degree of volcanic activity of Mount Agung (including eruptions) that plagued the island between November 2017 and February 2018.

GRDP (Gross Regional Domestic Product) Per Capita in Karangasem, Bali

The table below shows the GDP per capita in Bali regencies from most to least value:

Table 26 - GDP Per Capita By Regency/ Municipality, 2010-2017

REGENCY/ MUNICIPALITY	CAPITAL	AREA (km ²)	GRDP per capita (IDR)
Badung Regency	Mangupura	418.52	81 324.81
Denpasar City	Denpasar	127.78	51 576.09
Gianyar Regency	Gianyar	368.00	48 264.23
Buleleng Regency	Singaraja	1,364.73	46 801.10
Tabanan Regency	Tabanan	839.30	46 601.25
Jembrana Regency	Negara	841.80	44 399.19
Klungkung Regency	Semarapura	315.00	44 250.66
Karangasem Regency	Amlapura	839.54	35 529.61²⁰
Bangli Regency	Bangli	490.71	26 811.18
Total		5,780.08	

Source: (Statistic of Bali Province, 2017)

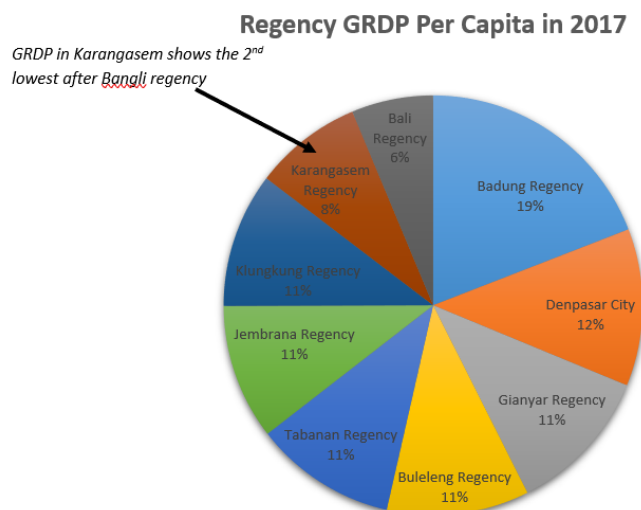


Figure 26 - GRDP in Bali in 2017

Source: (Statistic of Bali Province, 2017)

Despite its great tourism potential, Karangasem is the second lowest GDP per capita in the province (see figure 27) compared to another regencies.

International tourist Arrival in Bali

Below is the Figure of Number of Foreign Visitors Arriving Directly by Nationality to Bali, 2013-2017 (see figure 28).

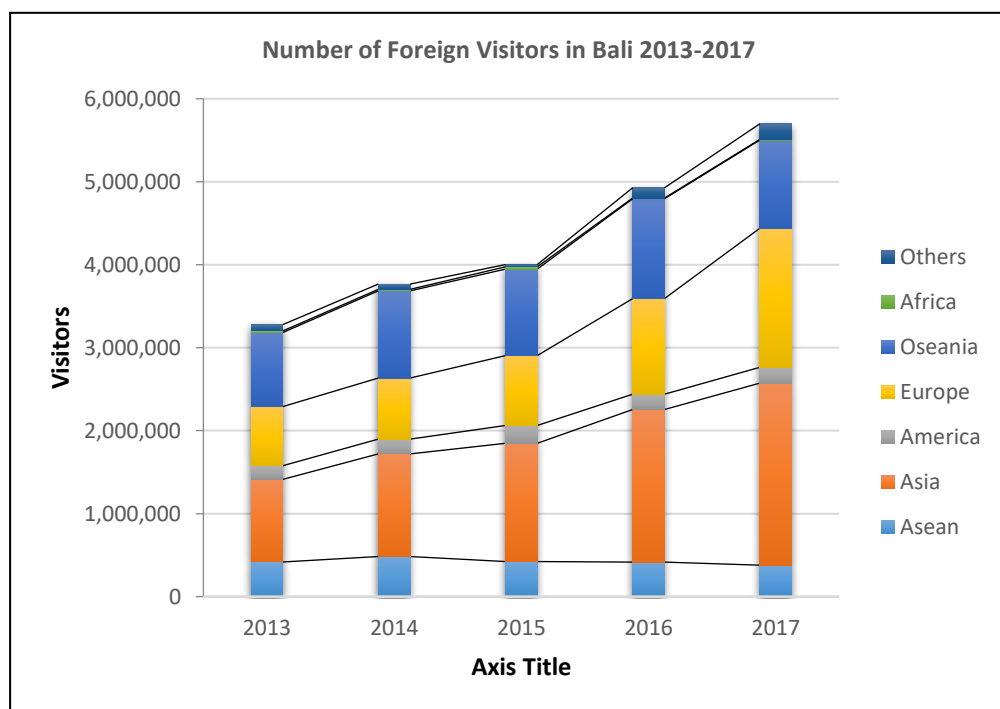


Figure 27 - Number of Foreign Visitors in Bali 2013-2017

Source: (Statistic of Bali Province, 2017)

Based on the statistics above, the most dominant group of international visitors are from Asia, in particular China, whilst the second biggest group are from Europe, especially from United Kingdom, France, and Germany, followed by Oceania, especially Australia (please see [Appendix 2](#)). That the number of tourists from China (1.3 million travellers) is now greater than the number from other countries (e.g. Australia 1 million travellers) is due to the rise of the Chinese middle-class and economy.

The Administration and Policy Maker

The administration of Bali (Bali Province Authority, 2010) is regulated per the Regional Regulation of Bali (Peraturan Daerah Bali); which is a regulation constituted by Indonesian local government and carries the force of law in the region. There are two levels of regional regulations:

- Provincial regulation (peraturan daerah provinsi)
- Regencies and cities regulation (peraturan daerah kabupaten)

Both forms of regulations are passed by the region's parliamentary body together with Governor of Bali.

The Demography in Karangasem

The main source of demographic data is obtained from Statistics of Bali Province document, conducted every ten years. By 2016, the population of Karangasem Regency had reached 410,800 people, with the composition 205,500 males and 205,300 females. Based on group ages, the population is dominated by the adult productive age (15-64 years old), with a total 265,700 people. Non-productive people (0-4 years and >65 years) constitute 145,100 people. In the terms of employment, based on the Manpower and Transmigration office, the number of jobseekers was recorded as 836 people, which decreased from the previous year of 1,062 people. Source: (BPS-Statistics of Karangasem Regency, 2017)

The Social : Percentage of population by education

The success of a region can be seen from the various aspects of community life, such as education, health, crime, religious life, and other social aspects, and can be indicator of a successful development of a region. One of the most important factors is education; meaning that the population as development capital must be qualified. However, the majority of Karangasem people were without school certificate (38.94%) of the population, and there were 31.84 % as a solely primary school graduates. The level of people with diploma qualifications was only 5.31% and every year people move to bigger cities, for example to the capital city Denpasar. The fact that Karangasem inhabitants are people with strong religion (hindu), without formal education, embracing honesty, kindness, peacefulness and openness in daily life, results in the work ethic normally becoming a substitute for a graduation

certificate when job seeking. One of the main barriers to local tourism is the language barrier, with the local people not familiar with the English language.

Source: (BPS-Statistics of Karangasem Regency, 2017)

Agriculture-Tourism Potential

Agriculture is still the main sector which drives the economy. The production is mainly of rice, sweet potatoes and green beans. For authentic fruit commodities, snake fruits remain the main commodity in the Karangasem regency. With this fruit grown in all sub-district areas. As half of the sub-districts are bound by the sea, fisheries, especially marine fisheries, also support the Karangasem economy. Karangasem produced sea fisheries of 23,839 tons and terrestrial fisheries of 409 tons during 2016. The export of sea fisheries to other islands is also quite high. Source: (BPS-Statistics of Karangasem Regency, 2017)

Trading Potential

Licensed businesses in Karangasem vary from Micro businesses (285 licensed), Small Businesses (400 licensed) and Medium business (17 licensed). Source: (BPS-Statistics of Karangasem Regency, 2017)

Hotel and Tourism

During years 2012-2016, the number of tourists in Karangasem fluctuated, however, it reached a peak in 2016 with 507,796 tourist arrivals. The number increasing significantly by 11.65% compared to the previous year. Tourists are dominated by foreign tourists, which in 2016 reached 343,274 people, or more than 67% of total tourists. Meanwhile domestic tourists reached 165,222 people (see figure 30).

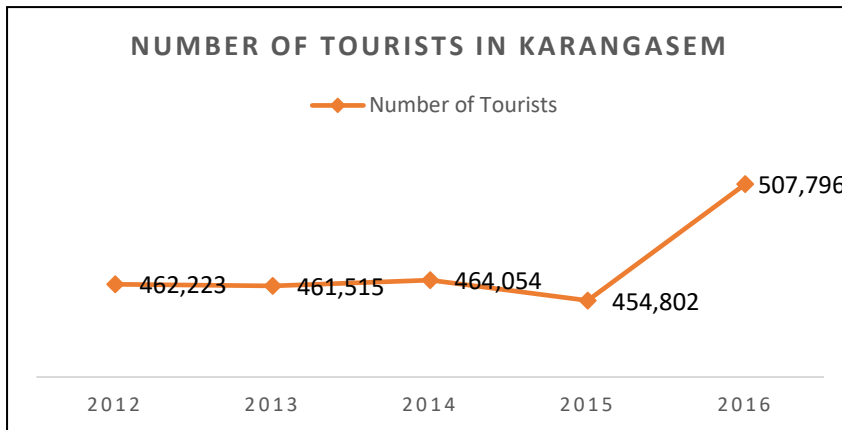


Figure 28 - Number of Tourists in Karangasem

Source: (BPS-Statistics of Karangasem Regency, 2017)

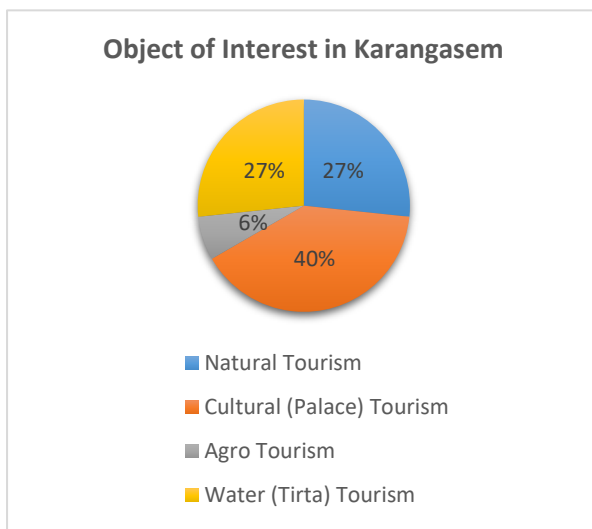




Figure 29 - Potential Object Interest in Karangasem






There are 8 hotels, 203 non-star hotels and 2,594 rooms available in the Karangasem regency. There are 15 touristic places, with 4 natural tourism place, 5 cultural tourism objects, 1 agro tourism object, and the remainder constitute water tourism (see figure 31). The cultural buildings such as palaces are private property belonging to the royal family of Bali, however, these places are open for the public.

Below is the detail of the tourism object:

Table 27 - Tourism Object in Karangasem

	TOURISM OBJECTS	OBJECT OF INTEREST	LOCATION
1	Bukit Jambul 	Natural Tourism - Rice Terrace	Pesaban Village
	<i>Source: Bali Bulanmaduku</i>		
2	Putung 	Natural Tourism - Mountain view - Sea view	Duda Timur Villae
	<i>Source: Steekmr.com</i>		

3	Iseh  <i>Source: Fiveprime</i>	Natural Tourism - Rice Terrace	Sidemen Village
4	Sibetan  <i>Source: Bali Media Info</i>	Natural Tourism - Mountain View - Snake fruit plantation	Sibetan Village
5	Puri Agung Karangasem  <i>Source: bali-indonesia.com</i>	Cultural Tourism - Former Royal Palace	Karangasem sub-district
6	Taman Sukasada, Ujung  <i>Source: Wikimedia commons</i>	Cultural Tourism - Taman Ujung Water Palace - Former Palace	Tumbu Village
7	Taman Tirtagangga  <i>Source: bali-indonesia.com</i>	Cultural Tourism - Royal Water Garden	Ababi Village
8	Tenganan  <i>Source: Indonesia tourism</i>	Cultural Tourism - Tenganan Village Pegringsingan for original Balinese Community	Tenganan Village
9	Candidasa  <i>Source: odyssey bali submarine</i>	Cultural Tourism - Lawah Bat Cave - Lawah Temple	Bugbug Village
10	Besakih  <i>Source: Wikipedia</i>	Cultural Tourism - Besakih Temple	Besakih Village

11	Kebun Salak Sibetan  <i>Source: Tripadvisor</i>	Agro Tourism - Salak / snake fruit harvest - Sibetan Farm	Sibetan Village
12	Padangbai  <i>Source: Shutterstock</i>	Water Tourism - Blue Lagoon Beach - Bias Tugel Beach - Padang Bai Beach - Oddysey Submarine	Padangbai Village
13	Jemeluk (Amed)  <i>Source: TripAdvisor</i>	Water Tourism - Amed Beach - Water sport (diving, snorkeling)	Purwakerti Village
14	Tulamben  <i>Source: Shutterstock</i>	Water Tourism - Tulamben Beach - Water sport (diving, snorkeling)	Tulamben Village
15	Sungai Telaga Waja  <i>Source: bali-indonesia</i>	Water Tourism - Water sport (rafting)	Rendang Village

Source: Source: (BPS-Statistics of Karangasem Regency, 2017)

Overview of Tourism Development Policy of the Accommodation Sharing Economy Market

The graph below is the policy of the tourism sector in Bali:

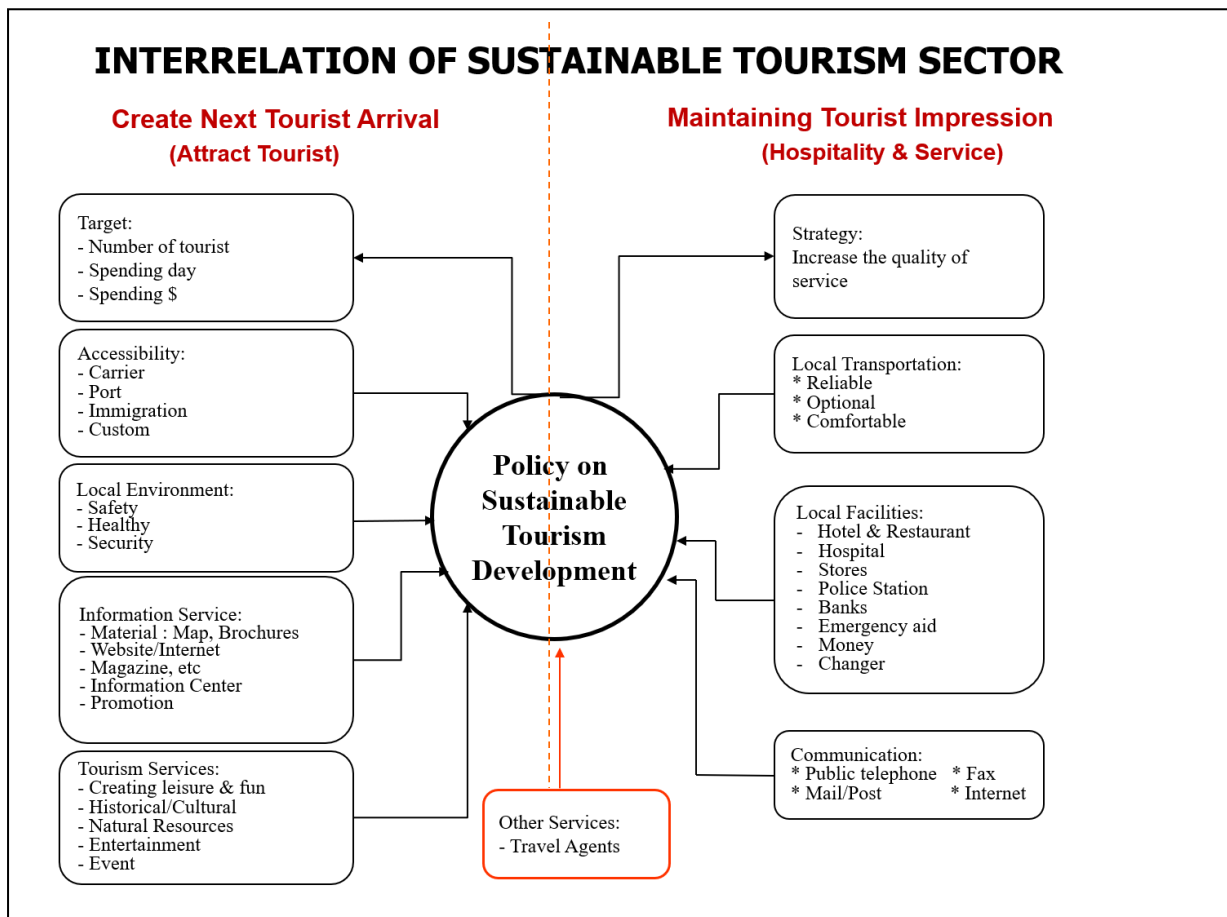


Figure 30 - Bali Tourism Satellite Policy 2009

Source: Bali Tourism Satellite Account (Neraca Satelit Pariwisata Daerah) 2009

The accommodation sector platform as it counts as other services (travel agents). There is no specific local regulation in the province to control and manage the growth and potential of accommodation sharing platforms. Therefore, in this thesis there is no checklist regarding the regulation compliance and taxation (which is usually one of the main barrier for platforms to enter the market).

The Main Players in the Accommodation Sharing Economy Sector

The table below shows the existing accommodation sharing economy platforms available in Karangasem regency:

Table 28 - NUMBER OF LISTINGS AVAILABLE IN KARANGASEM

PLATFORM	Number of Listings	Type of Short Term Rental
Typology Type 1 - Host-Independent Commercial Network		

Booking.com (Netherland)	8 listings	Dominant: Homestays, Villas, Bungalows Others: guest house
Priceline (US)	<i>Total listings are not mentioned.</i>	Villas
HouseTrip (UK)	343 listings	Dominant: Villas, B&B Other: Beach Villas, House, Bungalows, Local's Private Room,
Agoda.com (Singapore)	8 listings	
Typology Type 2 - Host-Dependent Commercial Network		
Airbnb (US)	119 listings	Locals' home ²¹ , Villas, Local Bamboo house, Cottages
Tujia (China)	2 listings	Homestays
Wimdu (Germany)	<i>Data not clear.</i> ²²	Locals' home, Homestays, Bungalows, Beach hostels, Beach Villas.
XiaoZhu (China)	<i>No results.</i>	-
Onfinestay (United Kingdom)	<i>Total listings are not mentioned.</i>	Only Commercial Villas.
Travelio (Indonesia)	<i>No results.</i>	-
Typology Type 3 - Host-Independent Non-Commercial		
Guest to Guest	6 listings	Local homes, villas, bungalows.
Love Home Swap (UK)	<i>No results.</i>	-
Typology Type 4 - Host-Dependent Non-Commercial		
Couchsurfing (US)	<i>No results.</i>	-
Hospitality Club	6 listings	Locals' home.
Global Free Loaders	<i>No results.</i>	-

Source: Data extracted from each platform's website on 5 November 2018.

²¹ Based on the website, the options provided are most likely commercial stays not local's home.

²² Based on the observation, the listings are taken from booking.com (as partnership).

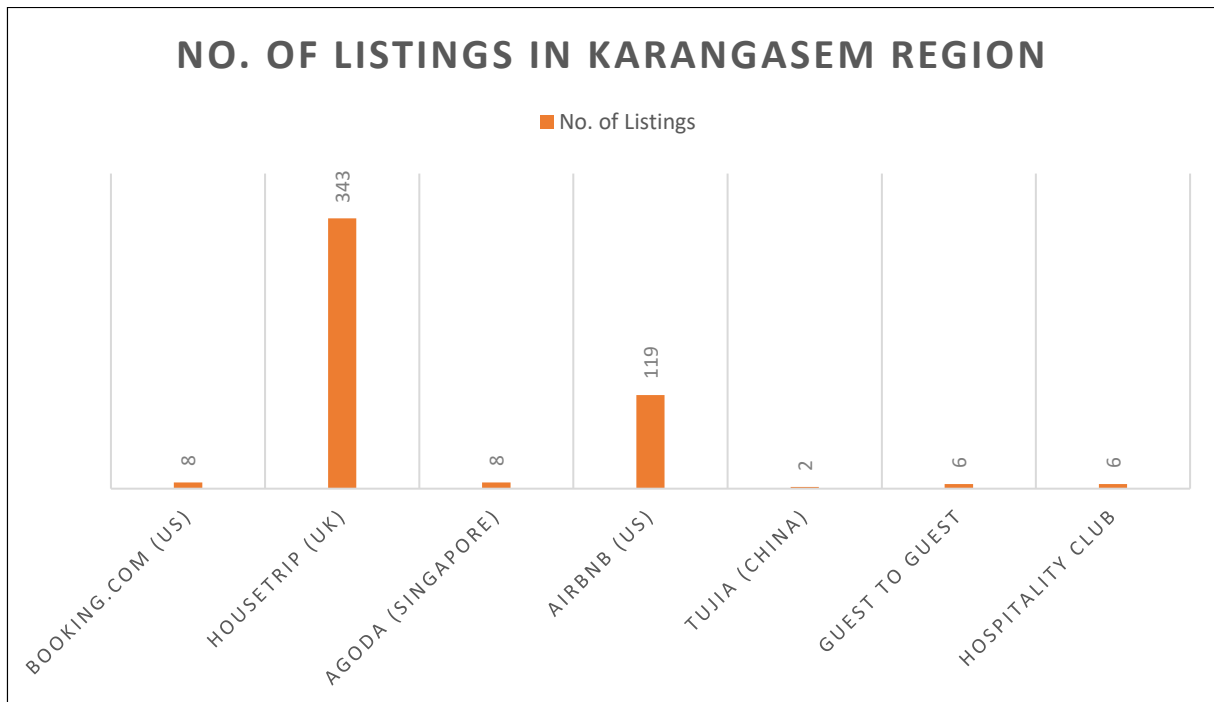


Figure 31 - Number of Accommodation Listing in Karangasem

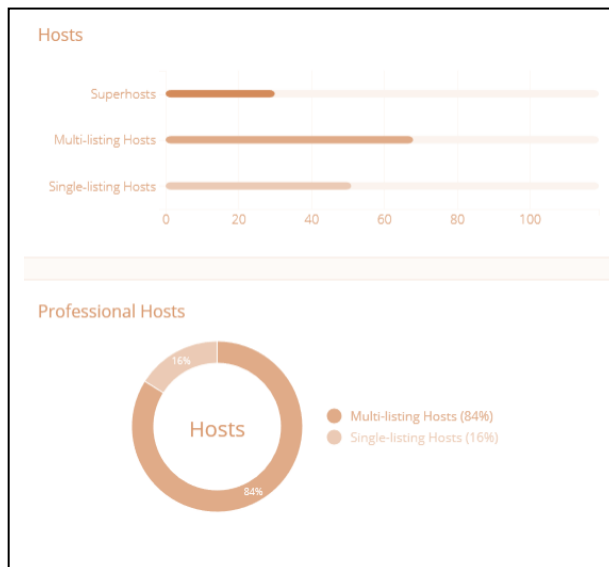
Source: Data extracted from each platform's website on 5 November 2018.

Based on the observation from each website (see figure 32), the number of listings from popular accommodation sites are still considered low. The highest number of listing is House trip, accommodation platform under Trip Advisor, with 343 listings available. The next is Airbnb with a total of 103 listings available. However, both of these typologies offer commercial stays and less of the local resident's home. Furthermore, typology type three Host-Independent Non-Commercial, and type four Host-Dependent Non-Commercial only have 6 listings each.

Resulting in a distribution of predominantly homestays, with local resident homes a rarity. It is important to note that the hosts can simultaneously use more than one accommodation sharing platforms to advertise their listings, which does lead to possible double counting of listings on the websites. According to Airbnb (see figure 10), 84% hosts are multi-listing hosts and only 16% are single-listing hosts. Due to the lack of data available on the multi listings on other short term rental platforms, the table above should be taken as an approximation only.

Real Estate and Housing Ability

This section explains the general view of housing availability and the real estate market in



Karangasem, Bali, number of available properties, and occupancy rates. Due to the limited data of short term rentals, Airbnb (AirDNA) is used as the proxy for the market trend (see figure 34).

Figure 32 - Type of Hosts in Karangasem

Source: Data extracted on 5 November 2018 from AirDNA (AirDNA, 2018)

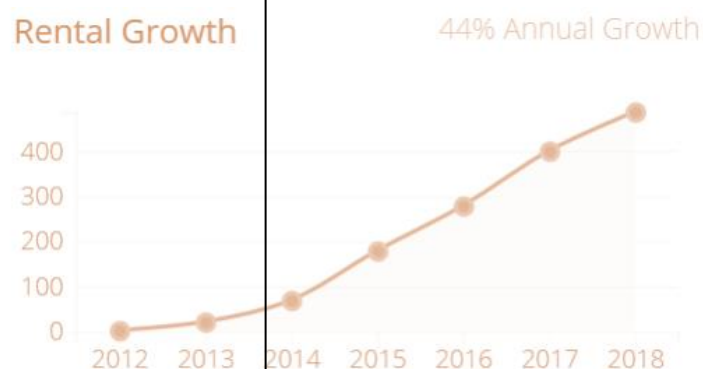


Figure 33 - Karangasem Rental Growth Index 2012-2018

Source: Data extracted on 5 November 2018 from AirDNA (AirDNA, 2018)

Since early 2012 the rental growth has increased significantly from zero to over 400 listings (see figure 34). The upward trend has exhibited 44% annual growth. The average of the daily rate is EUR 64.8 with a 71% Occupancy Rate. There are 317 active rentals by the observation taken, with 68% private room rentals, and only 2% shared rooms. The average rental size is one room with a 40 sqm size, and 4.2 Guests on the average rental (see figure 35).

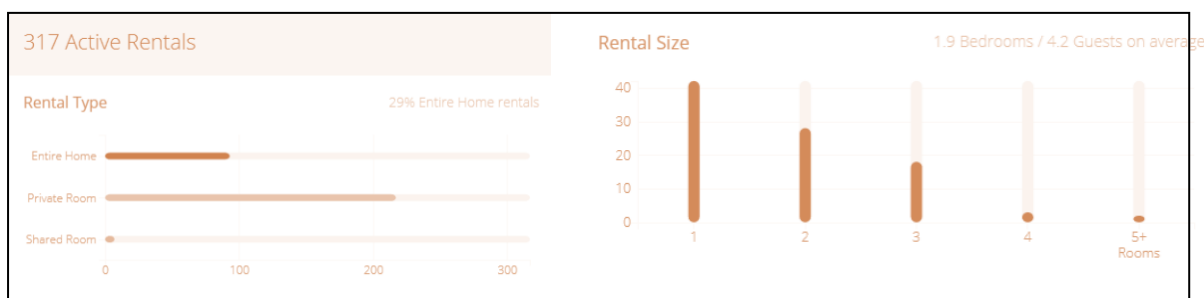


Figure 34 - Karangasem Active Rentals Trend 2018
 Source: By Author based on AirDNA on November 2018 (AirDNA, 2018)

Table 29- Summary of Indicators

No	Indicators	Categories	Value
1	Economy Data	Indonesia GDP	USD 932.2 billion
		Karangasem GRDP	IDR 35,529.61 million
2	Geographical Data	Area	839.5 km ²
3	Demography	Population in 2016	410,800
		Males	205,500
		Females	205,300
		Productive age 15-64	265,700
		Nonproductive age	145,100
4	Social Education	Diploma graduate	5,31 %
		Senior High School graduate	14,5 %
		Junior High School graduate	9,40 %
		Primary School graduate	31,84 %
		No certificate	38.94 %
5	Potential Agriculture tourism	Authentic Fruits	Snake Fruits
		Sea potential	Sea Fisheries
6	Trade Potential (business potential)	Micro businesses	285 licensed
		Small Businesses	400 licensed
		Medium business	17 licensed
7	Tourists Arrival 2016	Foreign tourists	343,274
		Local tourists	165,222

8	Touristic Places	Natural tourism	4
		Cultural tourism	5
		Agro tourism	1
		Water tourism	5
9	Existing Rental Properties 2016	Hotels (with stars)	8
		Non-star hotel	203
		Rooms available	2,594
10	Policy on Tourism	Bali Tourism Satellite Area (2009) regarding to Accommodation sharing platform	Gray area on accommodation platform
11	Main Players on accommodation sector	Based on Typologies from previous chapter	Is dominated with Typology Typology Type 2 - Host-Dependent Commercial Network (Airbnb). Type 1 - Host-Independent Commercial Network and (Booking.com).
12	Short Term Rental	Type of Hosts	Multi-listing host
		Rental Growth	44 % Rental Annual Growth
		Average Rental Type	Private room
		Average Rental Size	>40sqm

5.3 Proposal of Accommodation Sharing Platform Typology

Classification of The Typology

Table 30 - Comparison Proposal of The Case Study to the Four Accommodation Types

No.	Guests (G)	Hosts (H)	CHARACTERISTIC DETAILS	Proposal	(1)	(2)	(3)	(4)
				Develoment in Karangasem Area	Host- Independent Commercial Platform (e.g. Booking.com)	Host- Dependent Commercial Platform (e.g. Airbnb)	Host-Independent Commercial Platform (e.g. HomeExchange)	Host- Dependent Non- Commercial Platform (e.g. Hospitality Club)
1	G	H	Trade with money	✓ ²³	✓	✓	✗	✗
2	G	H	Host Matters	✓ ²⁴	✗	✓	✗	✓
Customer Segment								
3	G		Business/Study-travel main purpose	✗	✓	✓	✗	✗
4	G		Single leisure-travel main purpose	✓	✓	✓	✓	✓
5	G		Family leisure-travel main purpose	✓	✓	✓	✓	✗
6	G		Multiple destination travel	✓ ²⁵	✓	✓	✗	✓
7	G		Single destination travel	✗	✓	✓	✓	✓
8	G		Millenial guests (22-37 years old)	✓	✓	✓	✓	✓
9	G		Middle-aged guests (36-55 years old)	✓	✓	✓	✓	✗

²³ The goal is a self-generating income tourism;

²⁴ Hosts providing unique experience (local cuisine, cultural experience) is a strong point in rural tourism.

²⁵ As mentioned before, the area has 15 tourism places: natural, cultural, agritourism, water tourism; source: (BPS-Statistics of Karangasem Regency, 2017)

No.	Guests (G)	Hosts (H)	CHARACTERISTIC DETAILS	Proposal	(1)	(2)	(3)	(4)
				Development in Karangasem Area	Host- Independent Commercial Platform (e.g. Booking.com)	Host- Dependent Commercial Platform (e.g. Airbnb)	Host-Independent Commercial Platform (e.g. HomeExchange)	Host- Dependent Non- Commercial Platform (e.g. Hospitality Club)
10	G		Senior-aged guests (> 55 years old)	✗	✓	✗	✓	✗
11		H	Millennial hosts (22-35 years old)	✗	✓	✓	✗	✓
12		H	Middle-aged hosts (36-55 years old)	✓	✓	✓	✓	✓
13		H	Senior-aged hosts (> 55 years old)	✗ ²⁶	✓	✓	✓	✗
14	G		Average stay for 1-3 days	✓	✓	✓	✗	✓
15	G		Average stay for 1-2 weeks	✗	✗	✗	✓	✗
Value Proposition								
16	G		Convenience (easy and fast) and accessibility	✗ ²⁷	✓	✓	✓	✗
17	G	H	Loyal-community based / Unique Experience	✓ ²⁸	✗	✓	✓	✓

²⁶ Language Barrier

²⁷ Far from Capital City/ Airport and rare public transportation

²⁸ Mainly for religion and cultural based; and private historical places are open for public

No.	Guests (G)	Hosts (H)	CHARACTERISTIC DETAILS	Proposal	(1)	(2)	(3)	(4)
				Development in Karangasem Area	Host- Independent Commercial Platform (e.g. Booking.com)	Host- Dependent Commercial Platform (e.g. Airbnb)	Host-Independent Commercial Platform (e.g. HomeExchange)	Host- Dependent Non- Commercial Platform (e.g. Hospitality Club)
18		H	Provide Localisation (content & recommendation)	✓ ²⁹	✗	✓	✓	✓
19	G	H	Trust-based (rating and review)	✓ ³⁰	✓	✓	✓	✓
20		H	Mitigate risk (platform give insurance to host)	✓	✗	✓	✓	✗
21		H	Hosts' Earn Revenue	✓	✓	✓	✗	✗
22		H	Home Exchange/ Home Swapping	✓ ³¹	✗	✗	✓	✗
Value Creation (Key Activities, Key Resources)								
23	G		Guest's Identity Verification	✓	✓	✓	✓	✓
24	G	H	Social networking to Guests (meet other members in community)	✗ ³²	✗	✓	✓	✓

²⁹ Suggestion to the nearest touristic places or diving places

³⁰ Rating and Review because of the strong local people characteristic (honest; humble, open) meanwhile threat is from outside the local community

³¹ Exist but not popular

³² Language barrier : Local Balinese is different with National Indonesian Language

No.	Guests (G)	Hosts (H)	CHARACTERISTIC DETAILS	Proposal	(1)	(2)	(3)	(4)
				Development in Karangasem Area	Host- Independent Commercial Platform (e.g. Booking.com)	Host- Dependent Commercial Platform (e.g. Airbnb)	Host-Independent Commercial Platform (e.g. HomeExchange)	Host- Dependent Non- Commercial Platform (e.g. Hospitality Club)
25		H	Local/Regional Event Sponsorship	✓ ³³	✗	✓	✗	✓
26	G	H	Building Trust (and guarantees) between Hosts and Guests	✓	✗	✓	✓	✗
27		H	Key Resource (Platform, Call Center)	✓	✓	✓	✓	✓
28		H	Key Source Lead User/ Region Administrator	✗ ³⁴	✗	✗	✗	✓
29		H	Key Partner with Regional Real Estate Agency	✓	✓	✓	✗	✗
30		H	Key Partner with Int. Designers for impression	✓	✓	✓	✗	✗
31		H	Key Partner with Photographers for impression	✓	✓	✓	✗	✗

³³ Mainly from the local regional government

³⁴ Region Administrator e.g. couchsurfing is from the capital city (Denpasar)

No.	Guests (G)	Hosts (H)	CHARACTERISTIC DETAILS	Proposal	(1)	(2)	(3)	(4)
				Development in Karangasem Area	Host- Independent Commercial Platform (e.g. Booking.com)	Host- Dependent Commercial Platform (e.g. Airbnb)	Host-Independent Commercial Platform (e.g. HomeExchange)	Host- Dependent Non- Commercial Platform (e.g. Hospitality Club)
32		H	Key Partner with Local Government (for tourism attraction)	✓	✓	✓	✓	✗
33		H	Key Partner with lifestyle media resources	✓	✓	✓	✓	✓
Value Communication and Exchange Interaction								
34	G	H	Website, mobile phone app, sms	✓	✓	✓	✓	✓
35	G	H	General Media Advertising (online and offline)	✓ ³⁵	✓	✓	✓	✗
Value Capture								
36		H	Provide room or space	✓	✓	✓	✓	✓
37		H	Provide basic amenities (linen, cleaning, water)	✓	✓	✓	✗	✗

³⁵ Limited budget mainly depends on the government only

No.	Guests (G)	Hosts (H)	CHARACTERISTIC DETAILS	Proposal	(1)	(2)	(3)	(4)
				Development in Karangasem Area	Host- Independent Commercial Platform (e.g. Booking.com)	Host- Dependent Commercial Platform (e.g. Airbnb)	Host-Independent Commercial Platform (e.g. HomeExchange)	Host- Dependent Non- Commercial Platform (e.g. Hospitality Club)
38		H	Provide additional facilities (meeting room, café, parking)	Vary ³⁶	✓	✗	✗	✗
39	G	H	Money transaction between hosts and guests	Vary	✓	✓	✗	✗
40	G		Guests pay flat rate voluntary verification payment	Vary	✗	✗	✗	✓
41	G		Guests pay flat rate for annual membership	Vary	✗	✗	✓	✗
42	G		Guests pay per transaction as per stay	Vary	✓	✓	✗	✗
43	G		Guests pay booking fee per transaction to platform	Vary	✗	✓	✗	✗
44		H	Hosts pay service fee per transaction to platform	Vary	✓	✓	✗	✗

³⁶ Vary means depend due to type of properties : hotels, homestays, individual's house, etc

No.	Guests (G)	Hosts (H)	CHARACTERISTIC DETAILS	Proposal	(1)	(2)	(3)	(4)
				Development in Karangasem Area	Host- Independent Commercial Platform (e.g. Booking.com)	Host- Dependent Commercial Platform (e.g. Airbnb)	Host-Independent Commercial Platform (e.g. HomeExchange)	Host- Dependent Non- Commercial Platform (e.g. Hospitality Club)
45	G	H	Host charging guest based on seasonal, weekend variation	Vary	✓	✓	✗	✗
46	G	H	Pay insurance cost	Vary	✓	✓	✓	✗
47		H	Platform depend on Human Capital (as a cost)	Vary	✓	✓	✗	✓
Value dissemination								
48		H	Property risk (damage)	✓	✓	✓	✓	✓
49	G	H	Reputation risk	✓	✓	✓	✓	✓
50		H	Community good-will risk	✓	✗	✓	✓	✓
51	G		Safety risk (life risk, fraud, scam, rape)	✓	✗	✓	✓	✓
52	G		Privacy risk	Vary ³⁷	✗	✗	✗	✓

³⁷ Depends on the type of accommodation.

No.	Guests (G)	Hosts (H)	CHARACTERISTIC DETAILS	Proposal	(1)	(2)	(3)	(4)
				Development in Karangasem Area	Host- Independent Commercial Platform (e.g. Booking.com)	Host- Dependent Commercial Platform (e.g. Airbnb)	Host-Independent Commercial Platform (e.g. HomeExchange)	Host- Dependent Non- Commercial Platform (e.g. Hospitality Club)
53	G	H	Language barrier risk (local, international language)	✓ ³⁸	✗	✓	Vary ³⁹	Vary
54	G		Expectation/ Satisfaction risk	✓	✗	✓	✓	✓
55		H	Regulation compliance risk	✓	✓	✓	✓	✓
			Total “✓”	31	38	47	32	28
			Total “✗”	3	17	8	22	26
			Total Vary	11	0	0	1	1
			Total Characteristic	55	55	55	55	55
			TOTAL SIMILARITIES		27	36	25	24

Source: By Author based on data (Dolnicar, 2017), (BPS-Statistics of Karangasem Regency, 2017), and from accommodation platforms.

Based on the table above, the most suitable for hosts to monetize their home is through accommodation platform type 2 : Host-dependent commercial platform (e.g. Airbnb). The potential proposal development in Karangasem area has the most similarities of characteristic , that from the supply side; hosts matter as the main intention is to bring unique experience to guests, and from demand side; to monetize both ~~the home and the platform~~ is needed to ensure the sustainability of the project/ generate more investors.

³⁸ Young people in the area tends to move to the Capital City/ other bigger cities.

³⁹ Language barrier is vary depending on the host's background.

5.4 Comparison of the Benchmarks to the Case Study

The benchmarks selection of financial tools applied to finance the accommodations sector businesses were chosen based on the following criteria:

- Partnership with accommodation sharing platform funded by Venture Capital Investment
- Partnership with Tourism and Crowdfunding platform dedicated for ecotourism / village tourism projects
- Business Angels platform case study for general SMEs (note: the successful case of Angel Investors are limited by the requirements of additional verification and professional accreditation to access).

Information was gathered from the three main platform websites (Airbnb, 2018), (Tribewanted, 2018), (Cradle Fund Sdn Bhd, 2018), scientific papers, and reports that mentioned important case studies, for example reports from World Bank (World Bank Group, 2013). Each of the benchmark characteristics will be compared to the Karangasem case study and one benchmark will be selected as the most similar one (see figure 37)

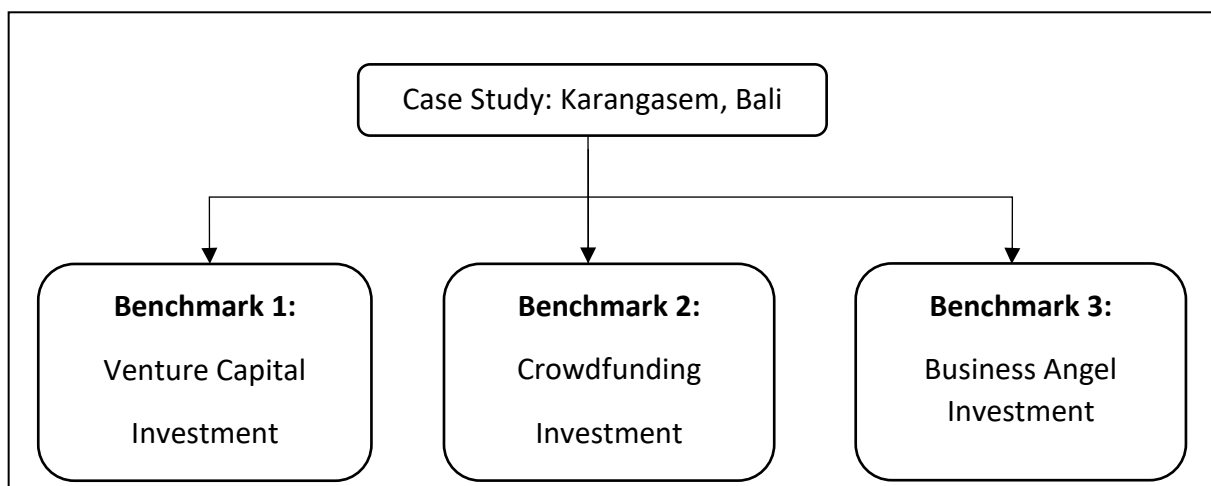



Figure 35 - Financial Tools Benchmarking

Analysis of the Benchmarks

1. Venture Capital Investment : Airbnb project in Yoshino, Japan
2. Crowdfunding Investment : Tribewanted project in Sierra Leone, Africa

3. Business Angel Investment : Cradle fund platform in Malaysia

Table 31- Benchmark 1 compared to Case Study in Karangasem

	Benchmark 1 – Venture Capital Investment	Case Study Comparison Advantage/ Disadvantage
1	Risk Sharing Scheme	
1.1	Investment Stage Seed stage, Early Stage. Investors involved in Yoshino case study.	Advantage. Karangasem case study has similar investment stage with Yoshino case study. To generate more accommodation sharing listings must be planned since seed stage.
1.2	Key Players  <p><small>Figure 2- Peer to Peer model, SCUISSE, (European Parliament, 2017)</small></p> <ul style="list-style-type: none"> • Platform: Partnership with Airbnb.com (accommodation sharing platform) which is supported by VC fund. • Supply: Yoshino district government and Yoshino communities. • Demand: Local and International Travellers 	Advantage. Karangasem case study has similarity key players with Yoshino case study. <ul style="list-style-type: none"> • Platform: possibility to have a partnership with international and local accommodation sector platform (e.g. Airbnb or Travelio). • Supply: support from Karangasem regency authority and Karangasem communities. • Demand: Local and International travellers.
1.3	Source of Funding Airbnb.com backed by Venture Capital Investment (total funding is not mentioned).	Advantage. Local government provides tourism budget as follow: <ul style="list-style-type: none"> • Tourism Budget at National Level (Dana DHK Pusat) IDR 1,092,000,000 • Tourism Budget at Province Level (<i>Dana PHR Provinsi</i>) IDR 2,866,663,900

Benchmark 1 – Venture Capital Investment		Case Study Comparison Advantage/ Disadvantage
		<ul style="list-style-type: none"> Tourism Budget at Region Level (APBD Murni Kabupaten) IDR 4,316,401,384 <p>Source: Data from Karangasem government official.</p> <p>Property could be done by partnership with Accommodation Platform funded by VC funds, and the man power could be done by Karangasem community.</p>
2	Reputable Financial Intermediaries	
2.1	Financial Market Development No exit plan yet through M&A (Merger and Acquisitions) or IPO (Initial Public Offering)	Advantage. Based on the benchmark, it is not necessary to have exit plan as soon as possible as the main goal is to empower the rural communities.
2.2	Return On Investment - A clear ROI on the accommodation business platform in line with the policy has made a win-win solution. The platform receives revenue, and some of the revenues are re-invested for the community.	Advantage. Karangasem case study needs a clear Return On Investment on the accommodation sharing sector as it will attract more investors in the long run.
3	Legal Environments / Policy	
	The Japan government has already established regulations of Venture Capital Companies.	Advantage. The Indonesian Financial Services Authority (OJK) has already established regulations of Venture Capital Companies OJK No. 34/POJK.05/2015 on VC Companies' Business License and Structure.
4	Market Driven	

Benchmark 1 – Venture Capital Investment		Case Study Comparison Advantage/ Disadvantage
4.1	Economic Appeal Generating ecotourism (tourism village): Increase in occupancy rate of accommodation listing, increase in job opportunities related with tourism and hospitality, supporting small businesses.	Advantage. Karangasem case study project has the similar aim of economic appeal from the benchmark.
4.2	Social Appeal Preserving culture through local experiences, increasing local activities, creating sense of belonging, culturally rich communities	Advantage. Karangasem case study project has the similarity of socio demography and social appeal with the benchmark.

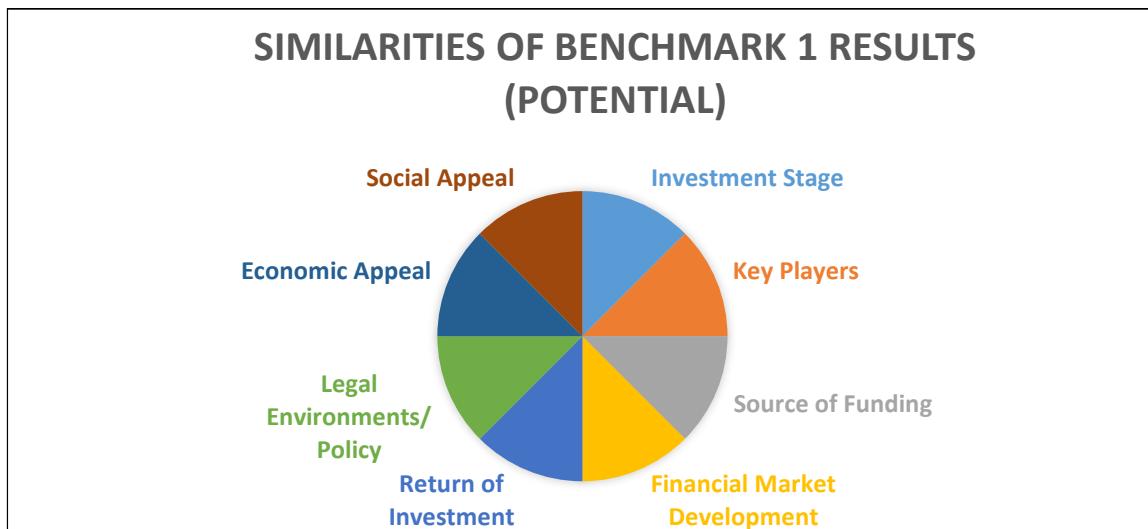



Figure 36 - Benchmark 1 Potential Result

Table 32- Benchmark 2 compared to Case Study in Karangasem

Benchmark 2 – Crowdfunding Investment		Case Study Comparison Advantage/ Disadvantage
1	Risk Sharing Scheme	
1.1	<p>Investment Stage</p> <p>Seed stage, Early Stage (4 years) and handover back to the community. The Funders or “Crowd” are based on charity do not provide value added to the case study as there is no guidance and assistance.</p>	<p>Disadvantage. However, Karangasem case study needs a proper guidance from the expert to ensure the sustainability of the project in the long run.</p>
1.2	 <p>Figure 2- Peer to Peer model, source: (European Parliament, 2017)</p> <ul style="list-style-type: none"> Platform: Partnership with Tribewanted.com (Tourism Platform) which owns Crowdcube.com (Crowdfunding Platform) Supply: Sierra Leone government and local communities volunteer program “Shine on Sierra Leone” Demand: Local and International Travellers 	<p>Advantage. Karangasem case study has similar key players with Yoshino case study.</p> <ul style="list-style-type: none"> Platform: possibility to have a partnership with international and local crowdfunding platform. Supply: support from Karangasem regency authority and Karangasem communities. Demand: Local and International travellers.
1.3	<p>Source of Funding</p> <ul style="list-style-type: none"> Tribewanted and Crowdcube. Salone Microfinance Bank. 	<p>Disadvantage. The source of funding based on charity is in a limited timeframe and as to make the case study become sustainable needs a long term planning source of funding.</p>
2	Reputable Financial Intermediaries	

Benchmark 2 – Crowdfunding Investment		Case Study Comparison Advantage/ Disadvantage
2.1	Financial Market Development No exit plan through M&A (Merger and Acquisitions) or IPO (Initial Public Offering).	Advantage. Based on the benchmark, it is not necessary to have exit plan as soon as possible as the main goal is to empower the rural communities.
2.2	Return On Investment There is no ROI to the Funders / “Crowd” as it is donation-based.	Disadvantage. The idea of Return On Investment is needed as to invite more investors to the case study area.
3	Legal Environments / Policy	
	Sierra Leone government has not developed regulation regarding to crowdfunding investment.	Advantage. The Indonesian Financial Services Authority (OJK) has already established regulations of crowdfunding No.77/POJK.01/2016.
4	Market Driven	
4.1	Economic Appeal Developing self-sustainable village/ ecotourism with lower energy, creating jobs for the local community, inviting more travellers to come to the area.	Advantage. Karangasem case study project has the similarity aim of economic appeal from the benchmark.
4.2	Social Appeal <ul style="list-style-type: none"> • Developing self-sustainable village/ ecotourism with three main pillars: main pillars of economic, environmental, and social. • Increase local activities • Creating sense of belonging 	Advantage. Karangasem case study project has the similarity of socio demography and social appeal with the benchmark.

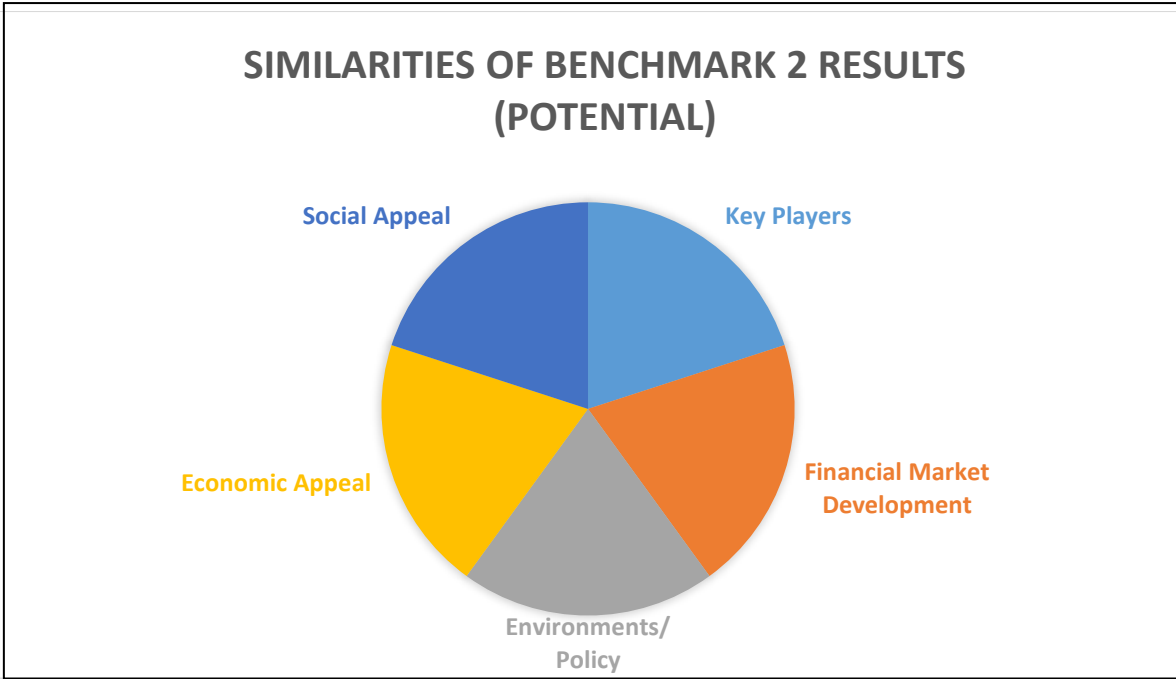


Figure 37 - Benchmark 2 Potential Result

Table 33- Benchmark 3 compared to Case Study in Karangasem

Benchmark 3 – Business Angel Investment		Case Study Comparison Advantage/ Disadvantage
1	Risk Sharing Scheme	
1.1	Investment Stage Pre-seed stage, seed stage, early stage, startup stage. Investors involved in projects funded by Cradle fund.	Advantage. Karangasem case study fits the investment stages funded by business angel investment: seed stage and early stage.
1.2	Key Players <div style="text-align: center;"> <p>Figure 2- Peer to Peer model, 909156.; (European Parliament, 2017)</p> </div> Platform : Cradle Fund Supply/ Investors : MBAN (Malaysian Business Angel Network), Malaysian Government	Advantage. Even though there is no official business Angel network under the Indonesian government yet, there are Private Angel Investors e.g Angin (Angel Investment Network Indonesia). Source: (Angin, 2018)

Benchmark 3 – Business Angel Investment		Case Study Comparison Advantage/ Disadvantage
1.3	Source of Funding MBAN ; with total funding USD 150 million (MBAN, 2014)	Advantage. Angel Investors in a group/ syndicate will be beneficial for Karangasem case study.
2	Reputable Financial Intermediaries	
2.1	Financial Market Development Data not available.	Disadvantage. There is no Indonesian policy regarding investment exists on Business Angel investment.
2.2	Return On Investment Partial Paybacks, Investment Exits	Disadvantage. There is no Indonesian policy regarding Business Angel investment.
3	Legal Environments / Policy	
	Incorporated under MOF (Ministry of Finance Malaysia) regulation.	Disadvantage. has already established regulations of crowdfunding No.77/POJK.01/2016. Source: Financial Services Authority (OJK)
4	Market Driven	
4.1	Economic Appeal <ul style="list-style-type: none"> • Monetary aid/ tax incentives • Value-added services: Capacity building and network support Co-investment schemes between Government with Angel Investor.	Advantage. Karangasem case study project has the similarity aim of economic appeal from the benchmark.
4.2	Social Appeal Data not available.	Advantage. Angel Investors could connect Karangasem case study project with experts to increase social appeal.

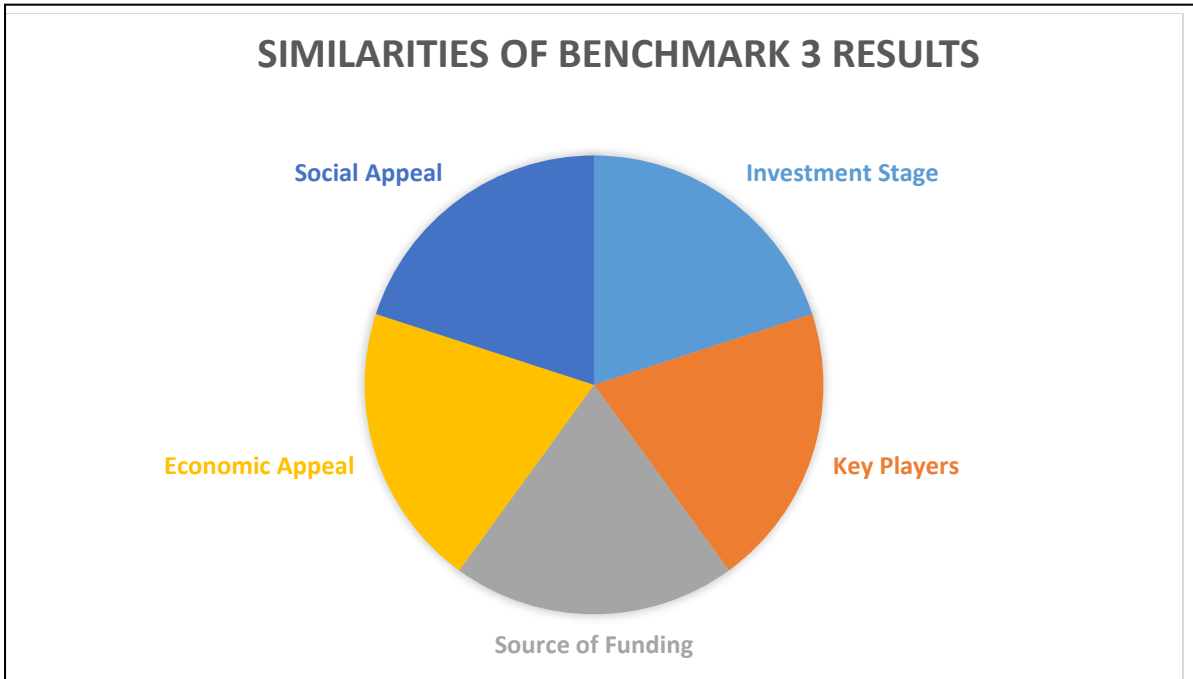


Figure 38 - Benchmark 3 Potential Result

5.5 Proposal of Financial Tool Applied

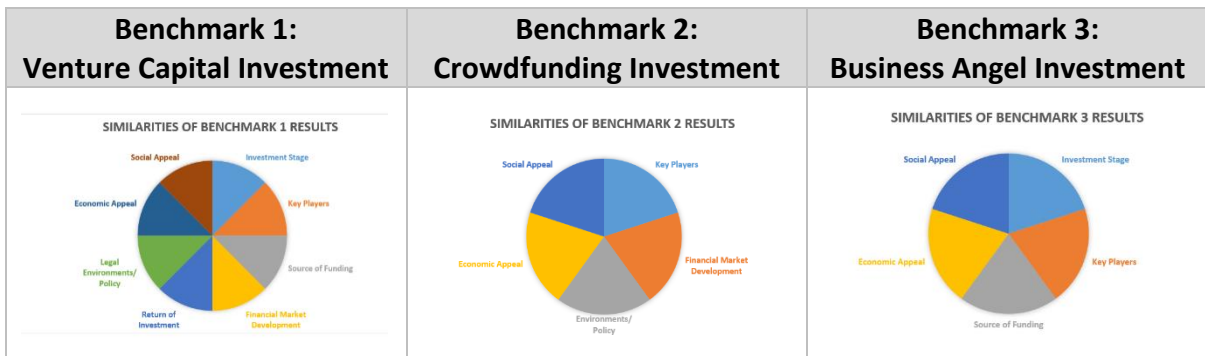


Figure 39 - Comparison of Benchmarks

According to the comparison to the benchmarks (see figure 40), the Karangasem case study has more synergies/ potentials with Benchmark 1: Venture Capital Investment (partnership with accommodation platform funded by Venture Capital fund).

Venture Capital (VC) investing is by far the most suitable way of raising capital for the start-up company/SMEs in Karangasem. It meets expectations. The Karangasem project itself is meant to be a long term project until the rural tourism can sustain itself. (10 years).

Firstly one must assume that the SME's will achieve what we expect out of the VC. That is : Value added investors, productive board members, portfolio benefits, follow on capital, guidance, access to experts, and arranged media exposure. (Despite not all VCs being willing to provide to the SMEs for heterogeneity reasons).

In the Karangasem study case, it would pursue VC over the other options. The reason is that by VC investment, the firms or stakeholders behind the investments are set up to help the SMEs grow and progress. VC investment can help ensure the SME is profitable because it means that the SMEs will be well placed to generate money. With VCs, SMEs are tapping into a larger pool of capital. With a great VC firm that believes in the project, it will easier to gain capital.

Vcs typically reserve additional capital for follow-on investment rounds. This is helpful to build the SMEs in the long run, or where more time is needed to build the businesses. Another huge value that VC provide is access to networks to boost up the products or services you are building.

Capital might be the least important that the VC brings because they bring a wealth of experience, further, many of them have a particular expertise. Moreover, many Venture Capitalists were serial entrepreneurs themselves and as such they know the pitfalls of SMEs trying to start successful companies face.

However, there is an important consideration to face in taking VC funds. When taking VC investment at the early stage, there is a potential to overvalue the company which will have an effect in later life. There is also a time frame for ROI in the company.

6. Conclusion and Recommendation

The accommodation sharing economy is believed to be able to bring economic benefits to rural tourism and the associated small businesses (SMEs) and local communities over the globe. Including in this case study situated in Karangasem District, Bali, Indonesia where there are two main questions which need to be answered (Chapter 1).

Question 1

What is the most suitable typology of accommodation sharing economy platform applicable to develop the rural tourism area in Karangasem, Bali?

- Demand side: Do guests rent short-term accommodation with money or not? Which one will bring the most benefit to increase the accommodation sharing sector in the case study?
- Supply side: Do hosts' matter or not? What is the trust and confidence factors to increase the credibility of the hosts to increase the accommodation sharing sector in the case study?

Answer: the most suitable for hosts to monetize their home is through accommodation platform type 2 : Host-dependent commercial platform (e.g. Airbnb). The potential proposal development in Karangasem area has the most similarities of characteristic, that from the supply side; hosts matter as the main intention is to bring unique experience to guests, and from demand side; to monetize both the home and the platform is needed to ensure the sustainability of the project/ generate more investors.

Question 2

What is the most appropriate financial tool that can be applied to finance the accommodation sector business? How can the accommodation sharing economy be implemented to deliver rural tourism maximum benefit?

Answer: The Karangasem case study has more synergies/ potentials with Benchmark 1: Venture Capital Investment (partnership with accommodation platform funded by Venture Capital fund).

To answer Question 1, it commences with the typology. The typology consists of the four basic types of accommodation sharing platform: Host-independent commercial platform (e.g. booking.com), host-dependent commercial platform (e.g. Airbnb), host-independent non-commercial platform (e.g. homeexchange), and host-dependent non-commercial platform. This difference surrounds the demand side (short rent-term with money or not) and supply side (host matters or not). The summary of comparison of each basic platforms are made and using this basis we are able to answer question no 1. (Chapter 2).

Moreover, after observation of the typology, the next step is how to implement the accommodation sharing platform typology to the case study. It requires financial tools to be applied to support the businesses. The study of three financial tools: Venture Capital, Crowdfunding, and Business Angels have been made (Chapter 3) including utilization of benchmarks which have a similar situation with the case study. With recognition that these benchmarks are using partnership between the Platform, Government, and the Local community to develop a specific project (Chapter 4).

Finally, an analysis of the accommodation sharing platform and its financial tools applied for rural tourism potential in Karangasem was evaluated to answer Question 1 and 2. The most suitable platform to boost up the accommodation sharing economy in rural tourism areas Karangasem Bali was found to be accommodation platform type 2: Host-dependent commercial. Where local hosts are encouraged to list their unused room space to platforms such as Airbnb, Travelio. Regarding the Sub-question, from the demand side, it is better to develop a transaction between the hosts and the guests (not stay for free like type 3,4) as the local community needs to receive economic benefits to develop the region. Meanwhile, from the supply side, host quality does matter as the more unique the hosts and cultural experiences, the more it will attract the local and foreigner guests to visit. (Chapter 5).

The most appropriate financial tool that can be applied to finance the accommodation sector business is Venture Capital Investment. To work with **partnership between the government, accommodation platforms (intermediates), the funders (venture capitalists), project initiators, and local community** will create a sustainable project as there are assistance and monitoring inbuilt to the project. Supported by Venture Capital investment to create a specific accommodation project will ultimately bring the maximum benefit when it starts to attract more tourists, local and foreign, and to inspire local hosts to list their homes to the platform. In the long run, this will make the rural tourism area become stronger in economy and social appeal (Chapter 5).

Recommendations

1. To strengthen the regulation of venture capital

To attract more investors by strengthen the protection on investors regulation (tax incentive) Build a prototype of Venture Capital Investment in the scope of accommocation sharing economy and rural tourism applied to all eight sub-regions. (see figure 41).

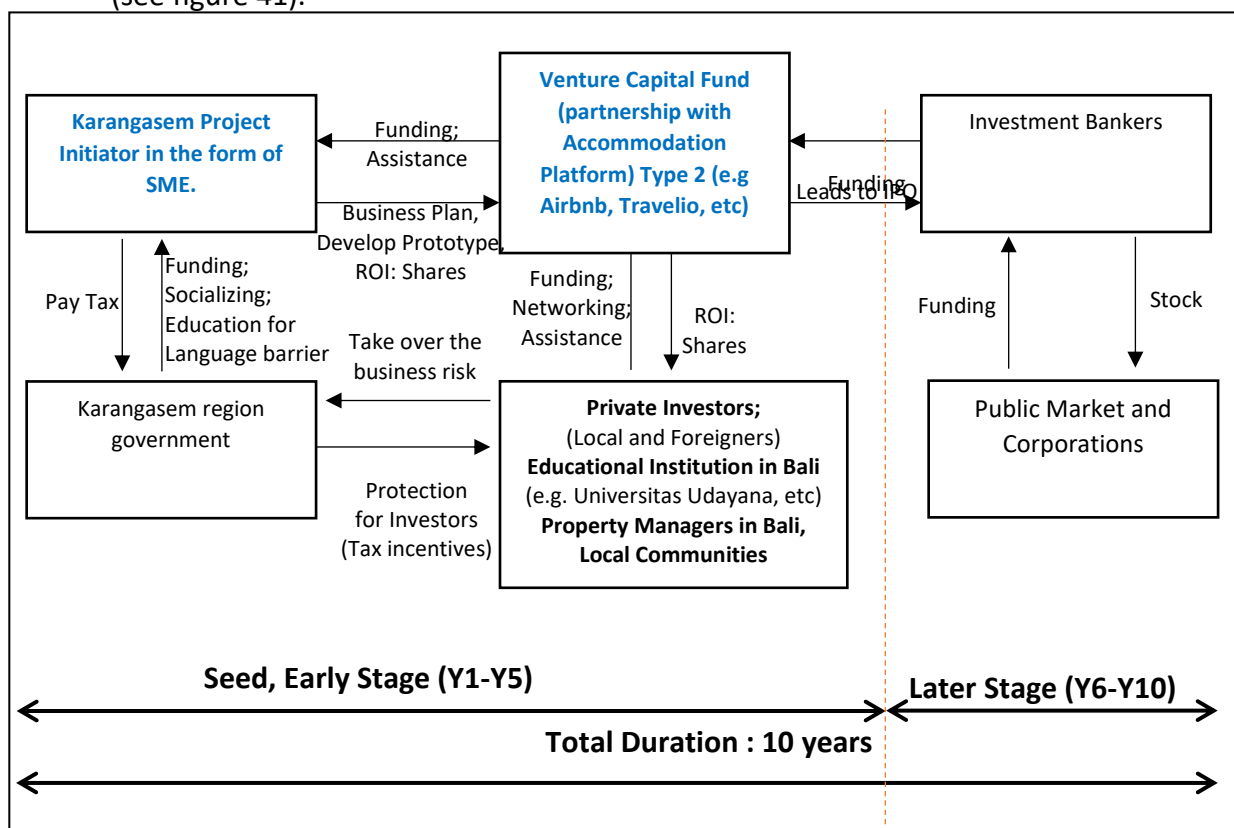


Figure 40- Venture Capital Proposal for Karangasem Project

Source: by Author based on Venture Capital Scheme (Zider, 1998)

To develop the accommodation sharing ecosystem to facilitate growth. For example, the ecosystem can start with solving the language barrier between the local communities and the foreign tourists.

2. Rural tourism Talent Development

To have a partnership with accommodation platforms, educational institutions, local and foreign investors to develop Project Initiators specialized in the rural tourism prototype.

3. Further Research.

This thesis is limited to the managerial aspect and there are benefits to greater research such as examining a full cost analysis : Anticipated ROI, Post Valuation, and Terminal Value of the project.

Appendix 1- Venture Capital Legal Framework in Indonesia

The legal framework of Venture Capital in Indonesia is described in the Indonesian Financial Service Authority (or *Otoritas Jasa Keuangan (OJK)*).

1 The Legal Basis	<ol style="list-style-type: none">1. Law No. 20 of 2008 regarding to Small and Medium Enterprises (SMEs).2. Regulation of the Financial Service Authority (Otoritas Jasa Keuangan – “OJK”) No. 34/POJK.05/2015 on VC Companies’ Business License and Structure;3. Regulation of OJK No. 35/POJK.05/2015 on VC Companies Business Operations;4. Regulation of OJK No. 36/POJK.05/2015 on the Implementation of Good Corporate Governance in VC Companies; and5. Regulation of OJK No. 37/POJK.05/2015 on Direct Inspection of VC Companies.
2 Typical Structure of Venture Capital (same as international standard)	<ul style="list-style-type: none">• Cooperatives• Limited Liability Companies (LLC);• Limited Partnership Companies (LPC) <p>Source: Regulation of the Financial Service Authority (Otoritas Jasa Keuangan – “OJK”) No. 34/POJK.05/2015 on VC Companies’ Business License and Structure;</p>
3 Foreign Shareholding Restriction	VCs in the form of employs all the people interact at the firm, such as partners, associates, support staff, and pays the maximum foreign shareholding is, direct or indirect, 85% (eighty five percent) of the total issued shares.
4 Minimum Equity Capital	<ol style="list-style-type: none">1. New Rules IDR 50 billion (approximately USD3.7 million) for Venture Capital in the form of Limited Liability Companies (LLC).2. IDR 25 billion (approximately USD1.85 million) for Venture Capital in the form of Cooperatives and Limited Partnership Companies.

5 Investment & Divestment Requirements	The minimum ratio between assets and investment is 40% (forty percent) which must be achieved by the third year operation. The divestment may be done by a way of Initial Public Offering (IPO), Private Placement to the new Investor, or share buy-back by the investee company.
6 The Criteria of the Target Companies	The target companies are emphasized to the small and medium enterprises (SMEs), which the entity is owned and managed by a person or by a small group of people with a specific amount of assets or income. SMEs criteria is an entity with net assets of maximum IDR 10 billion (ten billions Rupiah) or income of maximum IDR 50 billion (fifty billions Rupiah).
7 Source of Funding	<p>Venture Capital source of funding can be from the following (either onshore or offshore):</p> <ol style="list-style-type: none"> 1. Venture funds; 2. Loans; 3. Assets securitization; 4. Medium term notes; 5. Bonds; 6. Subordinated loans; 7. Shares; 8. Grants; and 9. Bequest/Donation (<i>wakaf</i>). <p>Source: (Partners, 2017)</p>
8 Restriction on Business Activities:	<p>Some business restrictions apply for Venture Capital are as follows:</p> <ol style="list-style-type: none"> 1. collecting funds directly from community (i.e saving account, giro); 2. providing guarantee for any third parties; 3. issuing promissory notes except as collateral to its creditor banks; 4. (iv) the venture funds must be distributed in the

form of Venture Capital Business to a target Company and/or debtor that are not listed on the stock exchange;

5. any loan facility > IDR 1 billion received by a VC must be appraised by an independent appraiser;
6. if a VC obtained a subordinated loan, the loan must be: (a) at least with minimum tenor of 5 years and (b) in notarial deed form;
7. the maximum loan that can be received by a
8. VC is ten times of their gearing ratio;
9. a local VC (ie without foreign shareholding participation) must have assets in the form of capital participation, loan facility and convertible bonds of at least 40% of their total assets;
10. the maximum capital participation or convertible bonds in a target company is 20% of a VC's equity and in any case the entire capital participation or convertible bonds in all target companies must not exceed the VC Companies' equity; and
11. the maximum loan facility that can be provided by a VC in a target company is 10% of its total assets.

Source : Regulation of OJK No. 37/POJK.05/2015 on Direct Inspection of VC Companies.

Appendix 2 - Number of Foreign Visitors arriving in Bali during 2013-2017

Nationality	2013	2014	2015	2016	2017
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1.Asean	418,012	483,487	422,986	416,428	379,264
2.Asia	995,423	1,236,816	1,424,995	1,838,892	2,193,676
3.America	164,666	177,940	214,518	184,373	190,947
4.Europe	712,418	736,188	842,436	1,151,925	1,675,317
5.Oseania	892,615	1,050,422	1,042,001	1,202,805	1,062,855
6.Africa	19,385	18,137	27,830	8,398	7,965
7.Others	76,079	63,648	27,069	124,115	187,715
Total	3,278,598	3,766,638	4,001,835	4,927,937	5,697,729
Growth Rate	11.16%	14.89%	6.24%	23.14%	15.62%

Source: (BPS-Statistics of Karangasem Regency, 2017)

Appendix 3 - Tribewanted Sierra Leone Progress in 2010-2012



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