

## **INFLUENCE OF SHORT-TERM RENTALS AND GIG ECONOMY ON TOURISM IN KODAIKANAL, TAMIL NADU**

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### **INTRODUCTION:**

The rise of short-term rental (STR) platforms, such as Airbnb, Home Stays, and Bed and Breakfast accommodations, has significantly transformed the global tourism and hospitality industry. These platforms have disrupted traditional accommodation services by offering unique, often affordable lodging options and enabling individuals to monetize their properties. Simultaneously, the gig economy-a labor market characterized by flexible, short-term work arrangements-has gained prominence, providing opportunities for people to participate in tourism-related activities, such as property hosting, tour guiding, and ancillary services. Together, STRs and the gig economy have reshaped tourism demand, labor dynamics, and urban economies, making them subjects of growing academic and policy interest.

Kodaikanal, a popular hill station in Tamil Nadu, serves as an intriguing case study to explore these phenomena. Known for its natural beauty and cultural appeal, Kodaikanal attracts thousands of tourists annually, making tourism a cornerstone of its local economy. Kodaikanal, often referred to as the "Princess of Hill Stations," is a serene hill station located in the Dindigul district of Tamil Nadu, India. Nestled in the Palani Hills at an altitude of approximately 2,133 meters (7,000 feet) above sea level, it is known for its lush greenery, pleasant climate, and scenic landscapes. Key attractions include Kodaikanal Lake, a star-shaped man-made lake perfect for boating and cycling; Coaker's Walk, a picturesque walkway offering stunning valley views; Bryant Park, known for its vibrant flora; and the Pillar Rocks, towering natural rock formations. The hill station is also famous for its rare Kurinjiflowers, which bloom once every 12 years, carpeting the hills in blue. Kodaikanal offers a tranquil retreat and is a popular destination for nature lovers, trekkers, and honeymooners.

In recent years, the proliferation of STR platforms has created significant economic opportunities for local residents, who have increasingly embraced gig economy roles as property hosts and service providers. However, this growth has not been without challenges. The rise of STRs has led to unintended consequences, such as housing market inflation,

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community tensions, and concerns over sustainability and regulation, making it imperative to examine their broader impact.

Despite the global relevance of STRs and the gig economy, there is a dearth of research focused on their localized effects in smaller tourist destinations, particularly in India. Existing studies have largely centered on metropolitan areas or international tourism hotspots, overlooking the nuanced economic, social, and regulatory challenges faced by smaller destinations like Kodaikanal. This research addresses this gap by examining the intersection of STRs and the gig economy within the context of Kodaikanal's tourism industry, with a focus on how these phenomena influence local economies, tourism demand, and the labor market.

**Table 1: Recognized STRs in Kodaikanal**

S.No	Type of Unit in Kodaikanal recognized by Ministry of Tourism	No.of units available
01.	Homestays - Registered	69
02.	Homestays - Classified	08
03.	Bed and Breakfast - Registered	152
04.	Bed and Breakfast - Classified	26
05.	Tented accommodation - Registered	1
	Total	256

*Source: NIDHI, Ministry of Tourism, Govt. of India*

The primary objective of this study is to investigate the economic, social, and regulatory impacts of STRs in Kodaikanal. Using qualitative methods, including semi-structured interviews with hosts, guests, and tourism professionals, the research seeks to identify key themes such as economic benefits, labor flexibility, regulatory concerns, and demand uncertainty. This paper aims to provide actionable insights into how policymakers can balance the benefits of STRs with the challenges they pose, particularly regarding housing affordability, community well-being, and sustainable tourism practices.

This study contributes to the broader understanding of how global trends like STRs and gig economy work are reshaping tourism landscapes in South India. By focusing on Kodaikanal, it offers region-specific insights that are both academically significant and practically relevant, particularly for developing effective policies to manage the social and

economic transformations brought about by these trends. The findings of this study are expected to inform future research and guide policy-makers, tourism stakeholders, and local communities toward achieving a balance between economic growth and sustainable development.

## **REVIEW OF LITERATURE**

The rise of short-term rentals (STRs) has significantly altered the tourism landscape, with platforms like Airbnb playing a pivotal role in reshaping traditional accommodation markets and facilitating the growth of the gig economy. This section reviews the existing literature on STRs, the gig economy, and tourism demand, highlighting their economic, social, and regulatory impacts.

STRs have gained prominence in recent years due to the growing preference for alternative accommodations among tourists. According to Guttentag (2015), the popularity of platforms such as Airbnb has led to a significant shift in how tourists engage with local economies, offering more personalized and cost-effective alternatives to traditional hotels. Zervas et al. (2017) argue that the expansion of STRs has not only affected the accommodation sector but has also contributed to the diversification of tourism offerings, allowing tourists to explore more local and authentic experiences. This growth has spurred debates around the broader economic implications, including demand forecasting and how STRs influence tourism flows in urban and rural areas.

The economic influence of STRs on both hosts and local economies has been a central focus in the literature. Chevalier et al. (2019) show that for hosts, STRs provide significant financial benefits, with many earning supplementary income that can be pivotal in areas with high living costs. Similarly, Schor (2016) highlights that STRs enable economic opportunities for individuals by offering flexible work arrangements and reducing barriers to entry in the tourism industry. However, Martin (2016) and Sundararajan (2016) caution that the rapid expansion of STRs may have negative effects on the traditional hotel industry and the local housing market. The increased demand for STRs has been linked to rising rental prices and housing shortages, particularly in popular tourist destinations, leading to tensions between hosts, residents, and policymakers (Gurran&Phibbs, 2017).

STRs are intrinsically linked to the gig economy, where work is often temporary, flexible, and mediated through digital platforms. Wood et al. (2019) describe how platforms like Airbnb allow individuals to engage in on-demand labor, offering income generating opportunities without the need for traditional employment structures. This flexibility appeals to many hosts who value the autonomy that comes with managing their properties on their terms. However, Paredes et al. (2019) argue that the gig economy also exposes workers to income instability, lack of benefits, and job insecurity, as the earnings from hosting may

fluctuate due to seasonal tourism trends or platform competition. Moreover, the role of labor exploitation in the gig economy has been criticized by scholars like Berg (2016), who suggests that hosts may face significant risks due to the absence of formal labor protections.

As STRs continue to proliferate, regulation has emerged as a critical issue. López& Becerra (2020) examine the challenges cities face when regulating short-term rentals, highlighting the inconsistencies in policies across jurisdictions. Cities like New York, Barcelona, and Paris have implemented strict regulations in response to concerns about overtourism, housing affordability, and the loss of community identity (Gurran&Phibbs, 2017). Zhang et al. (2020) discuss the complexity of balancing the economic benefits of STRs with the need to protect local communities from displacement and rising living costs. Furthermore, Kuo et al. (2020) point out that short-term rental policies often face challenges due to the rapid growth of digital platforms, which complicate enforcement and create regulatory gaps.

Accurate tourism demand forecasting is a key concern for stakeholders in the tourism and hospitality sectors, particularly as the nature of demand for STRs is unpredictable. According to Yang et al. (2017), forecasting models for STRs must account for the seasonality, geographic location, and consumer preferences that influence demand. However, these models often struggle to predict fluctuations in demand due to factors such as economic crises, pandemics (e.g., COVID-19), or political instability. Xu et al. (2020) explore the challenges of incorporating short-term rental data into traditional tourism forecasting models, arguing that more sophisticated techniques, such as machine learning, are necessary to provide real-time insights into fluctuating demand.

While the economic benefits of STRs have been widely discussed, their social impacts remain less explored. Gurran&Phibbs (2017) and Meletti et al. (2020) suggest that short-term rentals can lead to community disruption by altering the social fabric of neighborhoods, particularly in urban areas. As more properties are converted into short-term rentals, long-term residents may be displaced, leading to the loss of affordable housing. Moreover, Fang et al. (2016) highlight concerns about the lack of community oversight in STR operations, as hosts may prioritize profit over local social wellbeing, contributing to issues such as noise, overcrowding, and the erosion of community ties.

The literature reviewed reveals that short-term rentals have become a significant force in the tourism industry, contributing to both economic growth and social challenges. While STRs offer hosts increased income opportunities and enhance tourism demand, they also pose regulatory, housing, and community risks. As part of the gig economy, STRs provide flexibility for workers but also present challenges in terms of income volatility and the lack of worker protections.

## METHODOLOGY

This study follows an exploratory qualitative design, which allows for a comprehensive understanding of the complex and multifaceted nature of short-term rentals and the gig economy. Given the relatively recent emergence of these topics, an exploratory approach is essential to uncover the perceptions, experiences, and concerns of participants. Qualitative methods are particularly well-suited for capturing subjective experiences and complex phenomena that are difficult to measure through quantitative approaches.

Semi-Structured Interviews were chosen as the primary data collection method for this study. Semi-structured interviews provide the flexibility to explore specific topics in-depth while allowing for the emergence of new topics that may not have been anticipated. The interviews included both open-ended questions and prompts to encourage discussion about the economic impacts, regulatory challenges, and personal experiences related to short-term rentals and gig economy work. The study targeted three main groups of participants namely Hosts - Individuals who rent out properties through platforms such as Airbnb, Home Stays, Vrbo, or Booking.com, Guests - Tourists who have stayed in short-term rentals and Tourism Professionals Individuals working within the tourism industry who have experience with short-term rental markets and/or the gig economy.

The sample size consisted of 15 to 20 participants, which is consistent with the qualitative research tradition that values rich, in-depth insights over generalizability. This number allowed for sufficient saturation of themes while keeping the interviews manageable and detailed. A purposive sampling method was used to select participants who have direct experience or expertise related to short-term rentals and the gig economy. Purposive sampling ensures that the data collected is relevant and aligned with the research objectives.

## RESULTS

Based on the interviews conducted on tourism demand forecasting using short-term rentals in the context of the gig economy, the analysis of the responses is detailed below;

### ***Reading and Familiarization***

The responses highlight a variety of topics, such as the role of platforms like Airbnb in tourism demand, Economic benefits for hosts, Regulatory challenges, the flexibility and risks involved for gig workers.

### ***Coding and themes***

The transcripts were thoroughly analyzed based on the responses and codes, themes and interpretations were drawn as summarized in the below given table.

**Table 2: Analysis based on Interviews**

Codes	Themes	Interpretation
"Affordable alternative to hotels."  "Hosting helped pay off my mortgage".	Economic Opportunities	STRs and gig economy work provide significant economic benefits, including flexible income for hosts and cost-effective options for tourists.
"Competition is fierce with many new listings."  "Short-term rentals bring economic activity."	Financial Challenges	Despite economic benefits, hosts face income instability and increased competition, requiring diversification strategies.
"I can set my own hours."	Autonomy and Flexibility	The gig economy offers workers flexibility to choose work hours and roles, enhancing autonomy.
"Tourism demand is unpredictable."	Labor Precarity	Workers face income instability and precarious working conditions due to unpredictable tourism demand and lack of benefits.
"Managing a short-term rental is hard work."	Workload Management	Hosting requires significant effort and time, underscoring the operational challenges faced by gig workers.
"Our neighborhood feels like a tourist hotspot."  "I miss the sense of community."	Community Disruption	STRs alter the character of residential areas, leading to tensions among locals and disrupting community cohesion.
"It's great to meet travelers from all over the world."	Cultural Exchange	STRs facilitate cross-cultural interactions and enhance the tourism experience for both hosts and guests.
"STRs have driven up housing prices."  "Locals find it harder to get long-term housing."	Housing Affordability	STRs contribute to housing shortages and price inflation, displacing long-term residents and affecting urban accessibility.
"We're considering a cap on STR licenses."  "There should be stricter regulations on STRs."	Regulatory Challenges	Effective policies are needed to regulate STRs and address their impact on housing, over-tourism, and community welfare.
"Over-tourism is harming the environment."	Sustainability Issues	Unchecked STR growth and over-tourism strain local resources, necessitating sustainable tourism policies.
"Tax policies for STR hosts need clarification."	Policy Needs	Clearer tax policies and regulatory mechanisms are essential to balance growth with fairness and compliance.

The above consolidation clearly highlights the benefits along with the challenges encountered by the stakeholders. To provide an insight into the generated themes, the following word cloud is presented, facilitating an understanding of the key aspects of the research.



Interviews with STR owners reveal that the gig economy empowers individuals to generate income according to their own preferences, granting them flexibility in terms of both time and location. This is particularly attractive to individuals seeking additional income or those who favour unconventional work setups. The gig economy provides a level of flexibility, yet it brings to light significant concerns regarding job security, the rights of workers, and the absence of essential benefits such as healthcare and retirement plans. Gig workers in the tourism industry encounter obstacles such as fluctuating income, uncertainty in job stability, and a lack of legal safeguards. Gig workers in Kodaikanal may redirect their attention to comparable ventures in the future if sustainability restrictions, policy changes, or housing plans are implemented. Nonetheless, the locals observe a consistent level of support from the Gig economy, particularly during peak seasons when the flow of tourists remains stable. Many gig workers view STRs as merely a supplementary income rather than a primary source due to its inconsistent demands. However, tourists have shown a preference for STRs over traditional hotels due to the flexibility offered in check-in, check-out times, and various other regulations. In the upcoming years, Kodaikanal is poised for an increase in short-term rentals, alongside a growth in the gig economy.

This study opens up new avenues for further exploration in related fields of this topic. One intriguing area of inquiry is the Sustainability of Short-Term Rentals. Here one can explore the enduring environmental, social, and economic viability of short-term rentals in sought-after tourist destinations. The study of Consumer Behaviour and Experience represents a captivating area of inquiry. Analyzing how consumers perceive short-term rentals in contrast to traditional accommodations, with an emphasis on factors such as

trust, price sensitivity, and satisfaction, can yield fascinating insights. The influence of Gig Economy Platforms on Traditional Employment is a research area that explores how platforms such as Airbnb affect conventional tourism jobs, particularly regarding wage disparity, job security, and worker conditions. Examining the adaptations of short-term rental markets and gig workers in the aftermath of COVID-19, with an emphasis on shifts in consumer preferences, regulations, and employment patterns, represents a significant avenue of research.

### **CONCLUSION**

This fascinating study leads to a new era of insight and comprehension, particularly enhancing the research possibilities in the realm of STR and the gig economy. The selected destination Kodaikanal is clearly influenced by the rapid growth of short-term rentals, and the gig economy continues to expand its reach and variety. The findings reveal a diverse array of data showcasing both advantages and obstacles. The realm of tourism is captivating on its own, but the emergence of short-term rentals and the gig economy adds a layer of intriguing complexity that warrants thoughtful exploration due to its effects on the local economy. This study promises to serve as a valuable resource for exploring other destinations in India through quantitative methods.

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