

## An Analysis of the Main Industries in Maldivian National Economy

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### Abstract

In Maldives' economy, tourism, handcraft and manufacturing, agriculture and fishery are generally considered as the main industries of overriding importance. Its economy is undoubtedly tourism-driven, but in recent years it is delighted to find that some other industries have contributed largely in making its national economy flourished as well. Although the Maldivian people are still not that familiar with economic generic terms according to our research, people can never simply deny the accomplishments having been made in Maldivian national economic development. It is believed that the Maldivian economy would embrace a promising future.

### Keywords

The Maldives, Economy, Tourism, Manufacturing, Fishery.

## 1. Introduction

### 1.1. A General Introduction of Maldives

The Maldives, officially the Republic of Maldives, is a South Asian country located in the Indian Ocean and situated in the Arabian Sea. The Maldives comprises of 26 natural atolls consisting of dual island chains. All the islands are encircled by a lagoon blessed with crystal clear water. These islands are protected by a reef structure, housing one of the most exclusive and spectacular underwater life. More than 80 per cent of the country's land is composed of coral islands which rise less than one metre above sea level.[1] The sublime and splendor geographic landscape lays a solid foundation for the development of tourism in Maldives. Furthermore, the national economy could be greatly benefited from it.

As far as its history is concerned, the Aryans settled in Maldives and the Buddhist culture was introduced. Sultanate was established in 1116, and it is still in the standing position of Maldivian religion at the present stage. For approximately 400 years, the Maldivian people had been suffered a lot from the oppressive rule of Portuguese and Dutch colonialists. In 1887, it became a British protectorate. On November 11, 1968, the Independence of the Republic of Maldives was announced through a referendum.

Islam is introduced as the state religion in Maldives. People living there do not eat pork nor drink alcohol. Women have to wear long skirts to travel, while men cannot wear shorts. Foreign tourists do not have to comply with all these rules in the resort, but when they arrive at some local islands such as Male, they must follow certain local customs. Most of the Maldivian

residents are devout Muslims who are polite, courteous, and hospitable. Islamist Day on Friday is their weekly holiday in which stores, schools and all public places would be closed.

The official language of the Maldives is Dhivehi. Government documents and laws are generally written in Dhivehi while a few of them are in English. English is applied mostly by the upper class in the past, while currently by educated young adults. That is why our English-printed research questionnaires are sent to those children in school first, and then we ask them to bring the questions to their parents and note down the answers respectively. By doing so, both the children and their parents can hopefully understand the questions we prepared on the questionnaire properly and finish it desirably.

## **1.2. The Economy of the Maldives**

Tourism, shipping and fishery are known as the three pillar industries of the Maldivian economy. Historically, the Maldivian people provided enormous quantities of cowry shells, an international currency of the early ages. From the 2nd century AD, the islands were known as the "Money Isles" by the Arabs. [2] Therefore, since early times, the Maldives has a great potential to develop a healthy economic environment. Such goal was failed to realize with plenty of complex reasons through ages, but now, we have seen an inspiring momentum for Maldivian economic development.

Maldivian government has made great efforts in boosting the development of national economy and also promoted economic reforms to meet that end. As early as the year 1989, it began to abolish import quotas, create private export institutions, relax policy restrictions, and allow more foreign capital to enter into the Maldivian market. In the last decade or so, the average annual growth rate of Maldives' GDP has exceeded 7.5%. The Maldives highly emphasizes the development of the national economy and the implementation of small-scale open economic policies. But at the same time, it also keeps the environmental protection in mind all the time and acts in line with certain regulations. The Maldivian government aims to give a full play of its blessed natural resources, actively absorb foreign funds and assistance, and eventually meet the goal of accelerating the national economic growth substantially. Thus, we are confident that the Maldivian economy is going to experience a rapid development.

## **2. Literature Review**

With the advantaged natural scenery, the Maldives has attracted the attention and also the interest of the whole world. Almost all aspects of its social life have been discussed by scholars and researchers in recent years. Among these discussions, a broad consensus has been made that it is the tourism that fosters the overall growth of the national economy. The result of our research proves it as well; however, what's more, our research also finds that the tourism is absolutely not a single independent industry clearly separated from other sectors. Actually, in Maldives, tourism is not only a leading industry but also a promoter that can directly or indirectly stimulates other fields. That is to say, tourism can help and accelerate the development of other standing industries. Consequently, a flourished scenario in which various industries in Maldives jointly make a great contribution to the national economic prosperity is foreseeably to be achieved. And basically, in our research, we focus on the following four fields to analyze the prospect of the Maldivian economic development: tourism, handcraft and manufacturing industry, agriculture, and fishery.

## **3. The Main Industries in Maldivian National Economy**

### **3.1. Tourism**

Nowadays, the tourism has become the largest economic pillar of the Maldives. Maldives is made up of hundreds of islands with abundant marine resources and splendid ecological

environment. The seabed sightseeing (snorkeling, diving etc) has been greatly developed in the past decade. It created direct and indirect employment and income generation opportunities in many other related industries. The first tourist resorts were opened in 1972 with Bandos island resort and Kurumba Village (the current name is Kurumba Maldives), [3] which transformed the Maldives economy. The number of resorts increased from 2 to 92 between 1972 and 2007. As of 2007, over 8,380,000 tourists had visited Maldives.[4] We can find that tourism is undoubtedly a traditional pillar industry in the developing history of the Maldives. The country currently has six heritage Maldivian coral mosques, all of which are listed as UNESCO tentative sites. In recent years, it has been developing vigorously as the beautiful resorts have been further explored. As a result, the national economy is greatly boosted.

The contribution rate of tourism income to GDP has remained at around 30% for many years in Maldives. There are 87 tourist islands with 19,100 beds there. The occupancy rate is 78% and the per capita stay time is 6.7 days. In 2012, tourism revenue was 6.139 billion Lafia, accounting for 28.7% of GDP. The number of tourists visiting Malaysia was 1.125 million, a year-on-year increase of 17.4%. Tourism makes a great start for the economic development of the Maldives. The mature tourism brings more possibilities for its economic future. With such a successful example, the exploration of other industries could refer to the developing process or even directly benefit from the fruit produced by tourism. Under such circumstances, some previously depressed industries could have an opportunity to be prospered.

### **3.2. Handcraft & Manufacturing Industry**

When it comes to the handcraft and manufacturing industry, it is found that the manufacturing industry is limited by the environment and transportation. As a result, for many years, the manufacturing industry of the Maldives can only concentrate on small-ship building, weaving, garment making, marine fish and fruit processing. For the ship building, the main material of the ship is the three-ply board. Since the import cost is too high, the boat used by the locals in fishing is mostly built by themselves. Land transportation is only limited to its capital city, Male, in which cars and bicycles are the main land vehicles. However, in recent years, the situation has changed a lot. Driven by the boomed tourism, a number of funds have been gradually collected, which constructs the foundation of the further economic development as a whole.

Currently, in Maldives, there are basically three main ways to travel between islands: by domestic flight, by seaplane or by boat. [5] The Velana International Airport has been built as the principle gateway of the Maldives. Speedboats and seaplanes tend to be more expensive; while traveling by dhoni, although slower, is relatively cheaper and convenient. Such improved transportation system enables the Maldives to advance the efficiency in the national economic development. And the handcraft and manufacturing industry is the first sector to be benefited from the advantage. Both the export and import could be put in motion in this process, and the economy, consequently, would be vitalized.

Besides, in the handcraft and manufacturing industry, the inhabitants of the island have property-owned coconut trees. The coconut fruit will be collected, sold probably, and eaten. Its shell can be made into handicraft decoration. The dried leaves of the tree can be put on the roof so as to reduce the noise of the rain. So, it is found that those marvelous natural gifts can not only be appreciated in tourism but can be put into practical use and directly create incomes in manufacturing industry. The natural resources ought to be fully and properly used to make the national economy better.

### **3.3. Agriculture**

The country's overall arable land area is 6,900 hectares, but the land is poor and the agriculture is very backward. For a long time, the development of the agriculture has been constrained by the limited availability of cultivable land and the shortage of domestic labour. Therefore, it is extremely hard for the Maldivian people to find a new direction for agricultural development.

It seems to be a better way to further promote those standing fields at the present stage. With about 1 million coconut trees throughout the Maldives, the coconut production plays an important role in agriculture. Besides, there are also some other main crops such as millet, corn, bananas and cassava. With the expansion of tourism, the development of vegetable and poultry farming industry has been surging.

Thanks to the tourism, the market is greatly enlarged, and the demand of products is substantially increased. More and more tourists coming to the Maldives can elevate the national consumption level and encourage the supply side to make more efforts in agricultural production. Thus, it is found that the tourism can trigger the development of other sectors and ensure the well-being of the national economy. The agriculture, absolutely, is the first beneficiary.

### **3.4. Fishery**

Fishery is an important integrated part of the national economy. For many centuries in Maldives, it was entirely dependent on fishing and other marine products. The Maldives is rich in fisheries, especially in tuna, mackerel, squid, lobster, sea cucumber, grouper, shark, sea turtle, cockroach, etc. They are mainly exported to Hong Kong, China, Japan, Sri Lanka, Singapore and Taiwan. As of 2010, fisheries contributed over 15% of the country's GDP and engaged about 30% of the country's work force. Meanwhile, fisheries were also the second largest foreign income earner after tourism.

To develop the economy in the 21st century is definitely not to overthrow those seemly low-level traditional industries; instead, the development of the new economy is supposed to be based on the solid established foundation of those old industries. The flourishing tourism let the rest of the world gain a comprehensive hand deeper understanding of the Maldives; more importantly, for the Maldivian people, they can have more opportunities to learn from the foreigners and absorb fresh ideas. Then, they could endeavor to manage the so-called old industry like fishery in a modern way. By doing so, the fishery and other traditional pillar industries can make an even bigger step forward and contribute more to the development of the national economy.

## **4. Methodology**

Considering that Maldives is an Islamic country and the population in the islands where we did this research is limited, our research chose three ways to gather the data to conclude the mode of Maldivian national economy. The methods and instruments of data gathering we applied have been listed below.

Firstly, we visited the whole island for gaining a thorough understanding of its local culture and financial conditions. We talked with the local residents (maalhos) and the officials in Male (the capital city of Maldives). We note down their opinions and key information to help us conduct our research and make the analysis.

Secondly, in the process of our voluntary program, we sent questionnaires to those children in the school and then asked them to bring questionnaires to their parents. Our project questionnaire was designated to know the particular industry they have engaged in, the condition of their current life, their viewpoint towards the present situation of the national economy and also their expectation on it. In order to make them have a complete understanding of our purpose as well as the Maldivian economic condition nowadays, for some questions, we described the scenario in the first place before asking a certain question or inviting the respondents to choose one statement. The research result of our project questionnaire is the significant basis of our research and analysis.

Thirdly, we also referred to other research reports and combined those data of recent years to complete our research and conclude the basic economic growth and the tension in next following years. More specifically, in our project questionnaire, we have mainly focused on some main industries in our research: Agricultural industry, tourism, fishery, service industry, stream-ship industry and handcraft industry. What's more, we also took some modern technological, environmental, and financial issues into consideration so as to make our research more comprehensive.

## 5. Assumptions and Limitations

Through our conversation with the Maldivian people, we found that they were not familiar with the economic generic terms so that they may have different opinions when filling out our questionnaires. We tried our best to explain those economic terms in a simple way to ensure that they could at least have a basic understanding of our research and the economic condition of the Maldives. However, still, their attention paid on the scale of national economy was not that sufficient, and they were likely to concentrate more on their own private daily life.

What's more, the educational level between our respondents of the project questionnaire was quite different. The proficiency of English among adolescents was much better than the elder generation's level. Our project questionnaire was written in English, so for the aged generation, there might be some language difficulties in fully understanding it. To solve such a problem, we sent questionnaires to students in school, asked them to bring it home, and invited their parents to help us do the research. Students could help their parents to understand the English contents, and the parents had much more profound knowledge of the economy. With a joint effort, they could finish the questionnaire in a desirable way, and the result of our research would be more reliable as we expected.

However, our research was only conducted on the Maahol island; therefore, our research result did have certain limitations on the overall collection and analysis of samples. But based the data we had got in our research, we made an attempt to discuss the current national economy in a larger scale and predict its economic prospect.

## 6. Data Analysis and Research Results

### 6.1. Data Analysis

First of all, it is found that the economic structure of the Maldives is relatively uneven. As the seventh largest coral reef covered country in the world, the Maldives occupies 5% of the world's coral reef area. Such distinguished natural feature enables its tourism, shipping and fishery industries to develop at a extremely rapid speed, and these industries have already become the pillars of the Maldivian economy nowadays. Moreover, there are more than 700 species of fish in the surrounding waters. In 2016, the fishery production value was 2.24 billion Lufiya, accounting for 4.1% of GDP. And the tourism industry output value was 14.02 billion Lufiya in the same year, accounting for 25.4% of GDP. Also, the foreign tourists to Malaysia were 1.286 million with a year-on-year increase of 4.2%. In 2017, the foreign tourists to Malaysia were 1.39 million with an increase of 8% on a year basis. However, due to its geographical constraints, Maldives' agriculture is lagged behind by other countries, and the incomes created in agriculture is comparatively low. In 2016, the agricultural output value was 807 million Lufiya, only accounting for about 1% of GDP.

Secondly, from the perspective of import and export, the imports are much more than the exports in the Maldivian economy, and the gap is not likely to be easily bridged. It mainly exports seafood and ready-made garments and imports petroleum products, daily necessities and small land vehicles such as motorcycles and bicycles. In the modern society, the Maldivian people can communicate with the rest of the world frequently and conveniently. A sound

transportation system makes all the exchanges possible. The Internet and online shops also have opened a new gateway for the Maldivian economic development. According to our questionnaire, many Maldivian people have already recognized the enormous change of their economic life in recent years. The civilians are undoubtedly the prioritized beneficiary of the economic development.

Thirdly, at the present stage, the whole Maldives is basically powered by diesel generators. For the water using, they highly rely on the imported fresh water and rainfall supply. Recently, its government has begun to introduce foreign investments and advanced technology to develop new energy industries as well as the agricultural industry. We are delighted to find that the Maldives consistently follows the principle of "Eco-friendliness", and they never explore the natural resources excessively at the cost of environmental and ecological destruction. The Maldives has a range of different habitats including deep sea, shallow coast, and reef ecosystems, fringing mangroves, wetlands and dry land.[6] They ought to be properly protected, and making the ecology a healthy system is the responsibility of all mankind. Although the Maldives still has room for further improvement in this aspect, we have seen its willingness and determination. It is admitted that without using the natural resources, people can hardly make the economy developed nor make themselves live a better life. But the Maldivian people and the world people in a general sense do have the ability to achieve a balance in developing the economy and protecting the environment. The Maldives has done a satisfying job so far, and we believe that the Maldivian people would make more accomplishments in following this path.

## **6.2. Research Results**

In recent years, with improvements in monetary freedom, judicial effectiveness and fiscal health, the economy in Maldives has been developing rapidly, and the Maldives' government plays an increasingly active role in this process. Some reforms have been successfully made in the past a few years, but effective actions against corruption and cronyism among government official are urgently in need. In order to achieve a sustainable development of the national economy, a healthy political, financial and economic environment has to be rigidly ensured primarily.

The development of Maldives' economy is greatly boosted by the tourism and some other tourism-related industries. Higher foreign exchange reserves from tourism have helped to increase the construction-related imports. To ensure the future prosperity and avoid the economic depression, the Maldivian economy should be diversified so as to protect itself from global economic slowdowns. The tourism is to a great extent dependent on the natural landscapes and resources, so how to develop them wisely is an external topic for discussion in the process of human expansion. The Intergovernmental Panel on Climate Change's 2007 report predicted the upper limit of the sea level rises will be 59 cm by 2100, which means that most of the republic's 200 inhabited islands may need to be abandoned.[7] In fact, it is almost impossible for human being to stop the climate from getting increasingly warm, but we can try our best to slow it down. Tourism is the most important industry in Maldives' economy. And for its future exploration, people should always bear the awareness of environmental protection in mind and make decisions accordingly. The government should make the public realize the significance of the issue and encourage ordinary people to make an effort in protecting the environment and the ecological diversity. For the general public in Maldives, the tourism is their most familiar industry in economy. The Maldivian government still needs to do more in calling for everyone contributing their own effort in making the tourism develop in a sustainable and healthy way, and the economic prosperity should definitely be a collective accomplishment.

For the overall economic growth, it is not enough to have only one striking industry promoting the whole national economy forward. If so, the national economy would be unstable and even

fragile. Actually, none of the existing industries in Maldives is independent, the Maldivian people should strengthen the bonds between tourism and some other related industries so as to ensure a continuous economic development in a long run. What the tourism can bring is a broader platform for international communication. It gives a great opportunity for the Maldives to import advanced technology and new ideas with which the national economy could have a even brighter prospect. Old industries like the agriculture could be stimulated and revived by the prosperity of tourism. And many other industries such as fishery, handcraft and manufacturing could also be further promoted. The Maldives should follow the trend of the continuously refreshing and developing world, absorb new knowledge, and then adjust them to fit the local circumstances. Only following such a diversified economic model can a developing country like the Maldives embrace a truly sustainable economic development.

## 7. Conclusion

The national economy is closely related to the daily life of every single citizen. The ultimate goal for a government or an institution to eagerly promote the development of economy is to make everyone live a better life. For the Maldives, it has experienced unfortunate oppression and social uncertainties in its history. Therefore, not only the Maldivian people but also people from other countries sincerely wish a steady economic growth and a delighted life of all the people on that beautiful island. The Maldives is universally acknowledged as an attractive tourist resort, but at the same time, some other industries also have high potential to be even greater under the leadership of the tourism. The prosperity of tourism can bring about a positive chain effect making many other industries benefited meanwhile. The gifted natural landscape should be fully and wisely used. Promoting the current economy at the expense of the nation's future should be strictly avoided. Those disadvantaged industries should seek new ways out with the reference of successful experiences of industrial reform in other countries. The advanced technology and the online services ought to be applied in reforming those standing industries. Although the Maldivian government and its citizens still have numerous work to accomplish in order to promote the national economic development, especially in the field of environmental protection, we have witnessed its favourable growing momentum. Therefore, according to our research, we do believe that the Maldivian national economy would embrace a prosperous future.

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