

# DEVELOPMENT OF TOURISM IN MALDIVES

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**Abstract-** Tourism is the largest sector of the economy in the Maldives, as it plays an important role in earning foreign exchange revenues and generating employment in the tertiary sector of the country. The archipelago of the Maldives is the main source of attraction to many tourists visiting the country. Tourism began in the Maldives in the late 1900's. A United Nations mission on development which visited the Maldives Islands in the 1960s did not recommend tourism, claiming that the islands were not suitable. Ever since the launch of the first resort in Maldives in 1972, however, tourism in Maldives has flourished. Tourism in Maldives started with just two resorts. At present, there are over 80 resorts located in the different atolls constituting the Republic of Maldives. Over the past few decades, the number of tourists in Maldives has risen continuously. Today, more than 500,000 tourists visit the Maldives each year. This paper gives a detailed account of the development of tourism industry and the initiatives taken by the Maldivian government to promote tourism in the country.

**Index Terms-** Tourism, Development, Growth, Market share, Tourism products

## I. INTRODUCTION

Maldivian archipelago located 500 km from southern tips of both India and Sri Lanka. Is a beautiful string of 1,190 low-lying coral islands scattered across the equator in the vast expanse of the Indian Ocean, giving us a rare glimpse of what is aptly described as tropical paradise. Just consider this sparkling white sun-kissed beaches, crystal-clear lagoons studded with profusely coloured corals; azure warm seas with an undisturbed exotic marine life palm-fringed island the providing serenity all of it summarized by the famous Moroccan traveler Ibn Battuta on describing Maldives as "one of wonders of the world"

The sun, the sand and the sea, these are just three simple realities beckoning tourist from far and wide to these little islets, giving as a result, a glorious sense of happiness and proving to be a heavenly getaway from the world and its worries. The Maldives teaches the visitors the pleasurable art of doing nothing, simply lazing around and enjoying some of the most spectacular and colourful vistas offered by nature.

No wonder that tourists flock in large numbers to the 80-odd self-contained island resorts provided with all the comforts and warmth exuded by traditional Maldivian hospitality. This is why Maldives is considered to be the ultimate destination, the future world for holiday-makers.

### **Importance of tourism**

Tourism is the largest economic industry in the Maldives, as it plays an important role in earning foreign exchange revenues and generating employment in the tertiary sector of the country. The

archipelago of the Maldives is the main source of attraction to many tourists visiting the country worldwide.

## II. THE STUDY AREA

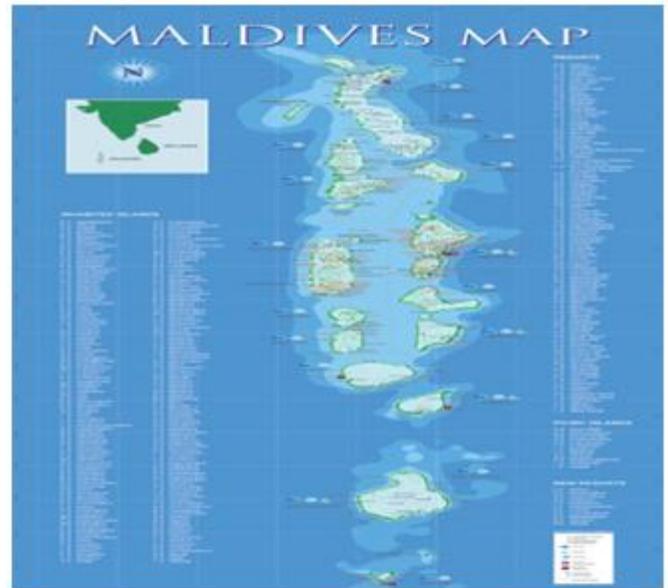


Figure 1: Location Map of Study area

The Maldives archipelago is on the south-south western region off the coast of India. The latitudinal extent is  $7^{\circ} 06' 30''N$  to  $00$  and longitudinal extent of Maldives is  $3^{\circ} 15' N$  and  $73^{\circ} 00' 41' 48'' S$  latitude and  $72^{\circ} 32' 30'' E$  to  $73^{\circ} 45' 54'' E$  longitude.

A series of 1,190 coral islands grouped into 26 atolls located in the Indian Ocean out of which 19 atolls are administrative atolls. The Maldives has an area of less than 300 square kilometers and a total coastline of 644 kilometers. The islands form a narrow chain of 820 kilometers in length and 130 kilometers in width within an area of 90,000 square kilometers of ocean. The capital city island, Male, is located within Male atoll, which is in the center of the strip of islands that makes up the Maldives. The Maldives is the smallest country in Asia.

### **Population**

The Maldives has a population of 298,968 (in 2006) spread among 196 islands. Strong disparities are evident in the population distribution between the islands: Male, the capital island, has a population of 102,377, or nearly one-third of the total population, whereas there are 142 islands with fewer than 1000 inhabitants and 76 islands with fewer than 500 persons. Only three islands have a population greater than 5000. Hence, most of the inhabited islands are sparsely populated while a small

number of islands are heavily congested. The growth of Male' is a result of migration from the other islands as people seek better job and educational opportunities, and an improved quality of life. However, this migration has resulted in inequalities both economic and social terms between Male' and the other atolls. Youth unemployment, increasing crime rate, social disharmony and drug abuse are all outcomes of the highly congested living conditions prevalent in Male' and some other islands. The Maldivian age structure is very young with approximately 77% of the population below the age of 40 years.

### III. TOURIST ARRIVAL TRENDS

As Figure 1 shows, the main reasons that tourists come to the Maldives are for leisure, honeymoon and diving. The majority of tourists (53%) seek leisure and relaxation, but with its strong appeal as a romantic destination, the 'honeymooner's' category (30%) is also significant. The underwater beauty of the islands also attracts divers; they make up 15% of all visitors.

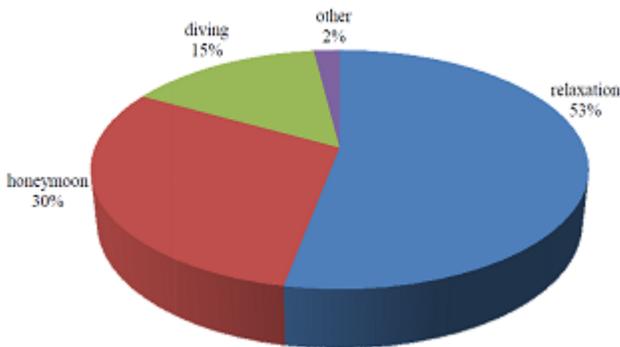


Figure 1: Purpose of visit

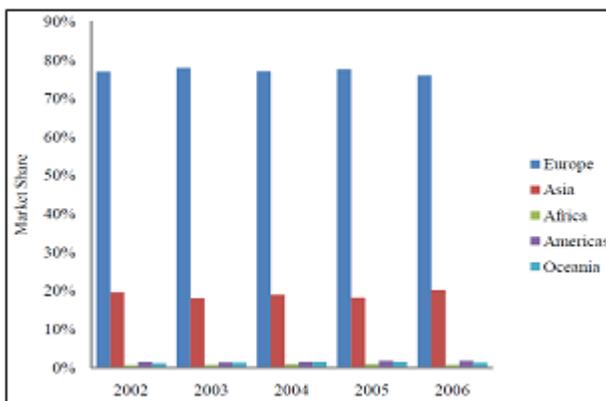


Figure 2: Tourist Arrival Trend

Tourist arrivals to the Maldives have been increasing steadily at an average of 10% per annum over the last ten years, except for the dramatic decline in arrivals during the year 2005 due to the December 2004 Asian tsunami. (Table.1). The tsunami caused the closure of a number of resorts and tourist arrivals declined by 35.9% in 2005. The Maldives sustained significant economic losses from the tsunami due to the economy's heavy reliance on tourism. However, Maldives' tourism has shown remarkable recovery after the tsunami: in 2006 the annual growth

rate in tourist arrivals rose to 52.3%, with nearly 779651 visitors. The annual average occupancy rate has been 68.2% from 2001 to 2010.

Table 1: Tourist arrival: Annual growth rate (2000-2010)

Year	Annual growth rate in (%)
2000-2001	-0.73
2001-2001	4.51
2002-2003	16.25
2003-2004	9.42
2004-2005	-35.89
2005-2006	52.26
2006-2007	12.28
2007-2008	1.05
2008-2009	-3.97
2009-2010	18.87

Source: MTCA

Monthly international tourist arrivals to the Maldives shows the largest tourist source market is Western Europe, the concentration of monthly tourist arrivals occur winter months in Europe. The warmer months in Europe coincide with the months of lower tourist arrivals, which are from May to September. Over the last five years, Europe has been the leading tourist source market to the Maldives, contributing an average of more than 76% of the total tourist arrivals. Trends in source markets between 2002 and 2006 are illustrated in Figure 2

Out of the leading source markets, Italy ranked first in 2006 with a share of 69.6% of the European market. The UK was the second largest (19.8%), followed by Germany (11.8%) then France (7.2%). Switzerland, Russia and Austria all had much smaller shares (4.4%, 3.6% and 2.3% respectively). From Asia, Japan was the largest contributor in 2006 with 6.6% of market share, followed by China (4.4%). The market share of Africa was 0.7% for the same year, while the countries from the region of the Americas contributed 1.8% and from Oceania only 1.3%. The top ten markets for Maldives in 2006 are Italy (25%), United Kingdom (22%), Germany (15%), France (9%), Japan (8%), China (5%), Switzerland (5%), Russia (5%), Korea (3%) and Austria (3%) which is illustrated in Figure 3.

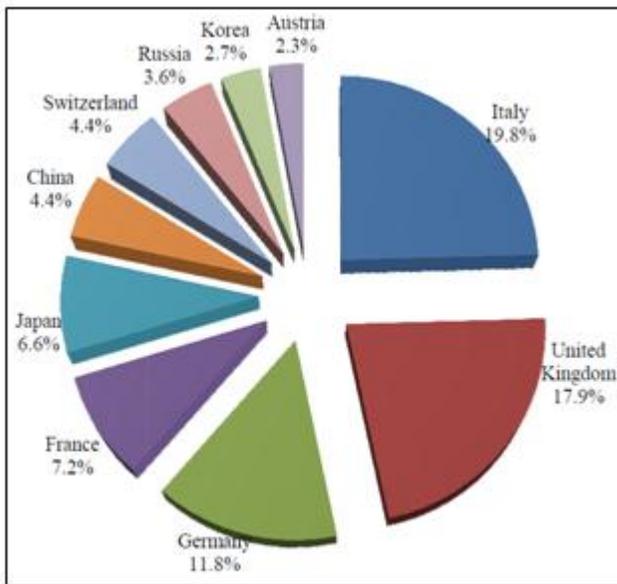


Figure 3: Market Share

#### IV. TOURISM DEVELOPMENT

Tourists first started coming to the Maldives in significant numbers in 1972 when the first resort, with a 280-bed capacity, was established. In the years since, five phases can be identified in the development of the Maldivian tourism industry (MTCA, 2008a).

The first phase is considered to be from 1972 to 1978, when tourism was largely unplanned and took place according to individual initiative (Dowling, 2000). The 17 resorts with 1300 beds that were established during this time (MTCA, 2008a) were very simple in facilities and modest in services due to a lack of resources and trained personnel in the field. Speed boats and mechanized fishing boats were used to transfer passengers and cargo between the airport, Male' and different resort islands (ibid). Thus all resort development was concentrated in close physical proximity to the only international airport, i.e. near the capital island of Male'. This has resulted in over 47% of the resorts being located in the central region of the country (MTCA, 2008a). During this initial phase, tourism did not play a significant role in the economy (Domroes, 2001).

The second phase covers the years 1979 to 1988. With the opening of a further 41 resorts, this period witnessed the establishment of a large number of resorts within a short period of time. The creation of a wide network of air services through charter carriers with various promotional packages, as well as the increased capacity of resorts, fuelled development of tourism in a short span of time. It was during this period that foreign companies began to invest in the Maldivian tourism industry. By the end of 2006, out of the 89 resorts operating in the Maldives, 68 were leased to local parties, 14 resorts were leased to joint-venture companies and the remaining seven islands were leased to foreign companies. Only 47% of the resorts are operated by local parties, with the rest being operated by foreign companies or foreign shareholding companies (MTCA, 2007a).

An important highlight of the second phase of tourism development was The First Tourism Master Plan (FTMP) which was formulated in 1983. The FTMP laid the foundation for sustainable development of tourism, emphasized environmental protection and called for integration of tourism into the social and economic development of the country. Resorts developed during the final years of the second phase followed the FTMP. Policies set out in the FTMP that limit built-up space on resorts, require building heights to be compatible with the natural vegetation of the islands, and include measures for environment and reef protection are still adhered to in resort development. Rules introduced during this phase also set the guidelines for the quality of services and facilities provided to tourists. A regulation instigated under the FTMP stated that the built-up area on tourist resorts should not exceed 20% of the total land area of the island. This regulation contributed to the creation of peaceful and quiet environments on resort islands – now a key feature of Maldives' tourism.

The third phase of tourism development, from 1989 to 1997, saw the opening of 16 additional resorts with a further bed capacity of 4920. The positive impacts of the vast developments in transport and technology experienced in the Maldives, and the world over, during the early 1990s were reflected in tourism development during this period.

Thus, apart from growth and expansion of resorts, this was the phase when innovative and high-quality services were introduced to tourism development. The Faculty of Hospitality and due to the fast rate that tourism developed, and with a shortage of local skilled labour, local manpower alone was unable to cater for the demand for jobs created by the tourism industry. As a result, during this phase a large number of expatriates joined the industry. By the end of 2006, out of the 22,000 jobs in the tourism sector (MTCA, 2008b) 11,095 jobs were filled by expatriates (MPND, 2007a). This was in spite of a government regulation that states that the employment of expatriates in tourist resorts should not exceed more than 50% of the total employees.

The period from 1998 to 2001 was the fourth phase of tourism development in the Maldives. Tourism development during this period came under the Second Tourism Master Plan (STMP) which covers the years from 1996 to 2005. A key feature of the STMP was the plan to expand and develop tourism into more regions across the country, with the aim of decentralizing tourism from Male' atoll and spreading the benefits of tourism among all the atolls, particularly the southern and northern regions. In addition, reducing expatriate labour and increasing the participation of women in the tourism labour force were also key targets. With regard to women's role in tourism, there is a huge gender disparity in employment: only 1512 women were working in the industry in 2006 compared with 10,578 men (MTCA, 2007a). Cultural and social norms play a major role in this imbalance. The isolated nature of resorts and the unavailability of the option of commuting to work daily from the inhabited islands are contributing factors that discourage women from working in resorts. A seminar on the Management of Human Resources in the Tourism Industry notes: It was generally agreed that hiring women to work at resorts proved difficult due to security concerns and attitudes of parents who do not want their children to be employed at resorts, which are perceived as predominantly male working environment (MTCA, 2008b). It was during this

phase that international resort brands began to establish themselves in the Maldives. While spa resorts were launched with the aim of introducing higher quality tourism, a wide range of accommodations were also introduced in order to attract tourists from various market segments. As such, apart from resorts, hotels, guest houses, yachts and safari boats began their operations. With resorts opening in areas far from Male' International Airport, seaplanes were introduced in place of speedboats to transfer tourists from the airport to resorts. During the fifth phase of tourism development, which extends from 2002 to 2008, the Third Tourism Master Plan 2007–2011 (TTMP) was launched in 2007. Its key aim is "taking tourism to the people within the broader framework of sustainable development in the economic, environmental, and social spectra" (MTCA, 2007a, p. 1).

During this period, islands throughout the country were released for tourism development. Islands and plots for tourism development are leased from the government on fixed-term contracts under a competitive bidding process in 2006, 35 islands were designated for tourism development. This latest release of sites included plots of land for city hotel development on inhabited islands. This was a new initiative because, until then, tourist development had strictly followed the one-island-one-resort concept which was aimed at limiting potential negative social impacts from tourism, a policy which has created the "distinctive concept of 'Resort Islands'" (Domroes, 2001, p. 123) in the Maldives. Each resort island provides its own infrastructure, power, water supply, sewerage and rubbish disposal arrangements (Dowling, 2000). Government regulation dictates that for waste management, each resort must have incinerators, compactors and bottle crushers (Domroes, 2001).

For the first time a public company was formed within the tourism industry to give locals a share in the tourism industry. Maldives Tourism Development Corporation (MTDC) holds 45% government share and 55% public share. By the end of 2007, there were 89 resorts with a bed capacity of 17,802. In addition, safari vessels, hotels and guest houses provide lodgings totaling 235 tourist establishments with a bed capacity of 20,505 (MTCA, 2007a). Hotels and guest houses cater for tourists, business and domestic travelers. These facilities provide convenient accommodation for tourists who transit in Male' before or after their stay in the resorts or safari vessels. Tourism has become the largest economic industry in the Maldives, providing 22,000 jobs (ibid) and contributing 30% of government revenue, 30% of GDP and 70% of foreign exchange (MMA, 2008).

Today, the Maldives is a world-renowned tourist destination, with several international brand names in its tourism portfolio, and it continues to win numerous international tourism awards ([www.visitmaldives.com](http://www.visitmaldives.com)). Most of the resorts in the Maldives are capable of providing state-of-the-art facilities and services, entertainment and high-tech telecommunication services (Dowling, 2000). Over-water bungalows built on stilts in the shallow lagoons surrounding the resort islands and spas are a popular theme of recent years. In addition, some resorts boast underwater spas and restaurants (MTCA, 2008a). At present each

resort has its own fleet of speed launches providing fast and convenient travel. There are three airports serving inter-atoll domestic flights in addition to seaplane operators. In 2008, Gan International Airport commenced operations as a second international airport bringing tourists directly to the southern part of the Maldives. By the summer of 2007, 14 charter and 15 scheduled international airlines were operating flights to the Maldives from different destinations in Europe, Asia and Africa (MTCA, 2007b). Created the "distinctive concept of 'Resort Islands'" (Domroes, 2001, p. 123) in the Maldives. Each resort island provides its own infrastructure, power, water supply, sewerage and rubbish disposal arrangements (Dowling, 2000). Government regulation dictates that for waste management, each resort must have incinerators, compactors and bottle crushers (Domroes, 2001).

As tourism became established in the Maldives, it played a major role in the country's economic and infrastructure development, especially the establishment of transportation links between the atolls and islands and the development of regional airports. Tourism has contributed both direct and indirect benefits. Among the direct benefits are increased employment opportunities and tourism-related construction. There are also a number of indirect benefits, though to a lesser degree, through increased activity in other economic sectors such as telecommunications and transportation and the revival of the handicrafts industry.

Due to the scarcity of resources, all major goods for developing and maintaining tourism services and facilities are imported, including building materials and equipment for the construction of tourist hotels and resorts. Hence, tourism does not generate a high overall multiplier effect. Instead, the high rate of imports, the large number of expatriates employed in tourism industry, and the prominent role that foreign investors play in the ownership, management and operation of tour companies are all factors that cause leakage of a major portion of tourism revenue earned by the Maldives. "This means that eighty cents of every dollar spent on tourist inputs accrued to foreign companies" The TTMP's emphasis on increasing linkages between tourism and other supporting sectors, namely fisheries, agriculture and handicrafts, was a strategy to reduce these leakages of tourism revenue.

As acknowledged by the TTMP, in spite of having a rich culture, heritage and history, "cultural and heritage tourism has not taken root in the Maldives", hence it is argued that these forms of tourism should be promoted along with the key attractions of sun, sand and sea (MTCA, 2007c, p. 58). Maldives' tourism is dependent on the tropical beauty of the islands. The wealth of underwater coral gardens, white sandy beaches, crystal clear lagoons, underwater flora and fauna is the nucleus of the tourism resource (Domroes, 2001). All tourist experiences offered by tourism operators to various market segments are based on the identity of a tropical island destination.

Usual tourist activities in the Maldives include water sports such as diving, snorkeling, windsurfing, catamaran sailing, water skiing and surfing. In addition to these, resorts organize fishing and excursion trips to nearby inhabited and uninhabited islands and to the capital island, Male', by modern speedboats or

traditional fishing boats (dhoni). Night fishing is a particularly popular activity – the trips usually end with a barbecue at the resort with the day’s catch. Aerial excursions by seaplane and submarine diving are also provided by some resorts. Most resorts and hotels have facilities for a variety of indoor and outdoor sports such as tennis, football, volleyball, badminton and squash. Live entertainment programmes are held in the evenings, often with local bands and dance troupes. As a diversification strategy, forms of tourism that portray “a strong identity of a perfect island destination” were proposed in the TTMP (MTCA, 2007c, p. 50). As such, Eco Tourism Resorts, Health Resorts, Luxury Islands, Floating Resorts, Budget Resorts, Live-aboard, Luxury Yachts and Training Resorts were identified as potential diversifications. All marketing communications for these products are proposed to be “designed to retain the unique image and brand of the Maldives” (ibid). While tourism has helped upgrade the general standard of living, (Yahya et al. (2005)) believe that the concentration of tourism development close to the capital Male’ has contributed to creating income disparities between Male’ and the other atolls. The proposition of the TTMP to promote community-based tourism was aimed at increasing the benefits of tourism to local communities as well as being an avenue for promoting culture and protecting heritage. While there is a high degree of economic dependence on the natural environment through tourism, as Dowling (2000) warned, “environmental problems faced by Maldives... are threatening the sustainability of the industry”. A major issue is solid waste disposal, the methods for which are incineration or dumping into the sea. With the annual average number of tourist arrivals exceeding that of the total population (MTCA, 2007b) and all requirements for tourist industry catered for by imports, including “thousands of tonnes of meat, vegetables and diesel oil every year”, the amount of waste produced is “unsustainable” From the resorts alone, 16.5 kg of waste per visitor is produced every week (Dowling, 2000).

The Maldives islands are low and flat, with elevations less than two meters above sea level. Thus, these islands are extremely vulnerable to elevated sea levels caused by climate change. Domroes (2001) pointed out that the environmental volatility of the Maldives archipelago is camouflaged by the detrimental impacts of tourism. Already the Maldives suffers from inundation and shoreline erosion, which are believed to be consequences of global warming and greenhouse gas emission (Gayoom, 1998). A dire prospect repeatedly proclaimed by environmentalists is that low-lying small islands such as the “Maldives archipelago will most likely disappear under the ocean” (Conrady & Bakan, 2008, p. 32). However, more

recently, it has been announced that the question of Maldives going under the sea is overstated, because it has been established that islands can adjust to environmental changes such as rising sea levels and increased global temperatures (MSNBC, 2009). Global warming threatens coral reefs – the key attraction of the Maldives – as these natural attractions are sensitive to increases in temperatures.

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