



LETTERS TO THE EDITOR

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Minister Fayyaz said lack of access to finance is a constraint hindering SME growth (MER vol 3 issue 1, September 2021). SDFC is a good initiative to address this. But how does SDFC get its funds? Is SDFC able to ensure repayment? What is the repayment rate? Is the repayment rate at a sustainable level for SDFC to continue lending?

I am interested to get answers to these questions.

Abdul Hameed. Maldives

Responded by SDFC

SDFC was established in 2019 to ease access to finance for MSMEs and startups, which are comparatively riskier segments than the customer base of traditional financial institutions in the Maldives. The strategy was to provide concessional financing to SMEs in a regulated environment to ensure the sustainability and self-sufficiency of the institution in the long run. Hence the plan was to build a sufficient capital base and portfolio within the first 4 years of its operation. This would enable to have sufficient recoveries and capacity to obtain external financing to sustain current level of annual loan disbursements. From 2019 to 2021 we were able to disburse MVR 742 million to our customers which was facilitated through stable capital injection from the Government.

However due to the covid-19 pandemic, there was a setback in our initial projections as we provided moratorium of 10 months to our customers in 2020 and disbursements and completion of projects got delayed during this period. However, we are seen positive changes in 2021 with over MVR 400 disbursement in the year with increase in repayments.

Despite the setbacks and delays in projects, going forward we expect that we will be able to build sufficient capital base and portfolio to generate repayments and have financial capacity to attract external funding to continue lending.

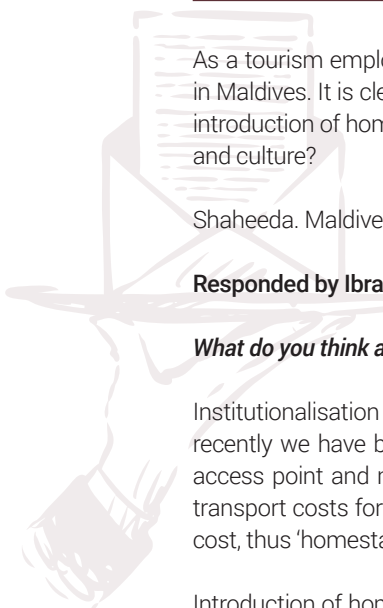
I agree with Athif (MER vol 3 issue 1, September 2021, pp. 7-13) when he says it is time to pause leasing additional islands for development of resorts. Leasing more islands is easy to continue the current structure of the economy, but it does not tally with the government's declaration that the economy is being diversified under the Strategic Action Plan. It does not strengthen the resilience of the economy either.

I wish the government, whoever may be the president, would stop choosing simply convenient ways to run the economy.

Laila. Maldives

Responded by Ibrahim Athif Shakoor

May I say Aameen to your hopes. The appeal to take a pause and reflect before selling off additional space for tourism development, is best understood as a multi-sectoral appeal looking at environment, social considerations, retaining ownership of scare land for the future generations and also include pure commercial RoI considerations.



As a tourism employee, I read Zuhuree's article (MER vol 3 issue 1, September 2021, pp. 26-32) about the evolution of tourism in Maldives. It is clear he has done a lot of research in this area. So, I want to ask him this question. What do you think about the introduction of homestay tourism in Maldives? What will happen to other segments? What effects can it have on our community and culture?

Shaheeda. Maldives

Responded by Ibrahim Zuhuree

What do you think about the introduction of homestay tourism in the Maldives?

Institutionalisation of homestay may be an outcome of a major shake up to the tourism industry due to COVID-19. However, recently we have been experimenting with a form of homestay with Airbnb. Also, given that VIA is still the main international access point and most of the islands near the airport are leased as resorts, expansion of tourism to other atolls also means transport costs for tourists are high. There will be an increasing market for lower-priced lodging options to compensate for this cost, thus 'homestay'.

Introduction of homestay is likely to drive down the price of lodging in the Maldives, mainly because it has a lower cost of entry and exit. Lower price is likely to attract lower-quality tourists to islands. However, we do not know how the spending habits of such tourists will be, so although the number of tourists may increase, it is too early to say if actual economic benefits to the society will be net positive.

What will happen to other segments?

One island one resort segment is very different from guest house or homestay. So, I do not expect major disadvantages to other segments. However, we are likely to see some market share reduction from resorts and guest houses farther from international airports. Again, changes to the absolute number of tourists are not only the factor in international tourism; instead, tourists' spending habits could be more critical. Resorts or guest houses may be better off moving 'cheap tourists' to lower-end markets because it would be challenging to earn extra revenues through value-added products (e.g. special dinners etc.) from these tourists.

Some industry experts suggest that lower-end tourism such as homestay may reduce the brand value of 'Maldives' and there are costs associated with the free-rider problem. Please see chapter 4 of my study at: http://saruna.mnu.edu.mv/jspui/bitstream/123456789/1956/1/AN%20EMPIRICAL%20ANALYSIS%20ON%20INTERNATIONAL%20TOURIST%20FLOW%20AND%20HOTEL%20ROOM%20PRICES-THE%20CASE%20OF%20MALDIVES_izuhuree_saruna.pdf

What effects can it have on our community and culture?

Despite a common fear, I do not expect major cultural disadvantages due to the introduction of homestay tourism. Maldivians have been exposed to foreigners' for a long time and our values remain intact. In fact, homestay tourism is expected to bring benefits to host families as it offers social interaction and preservation of local culture, a sense of local pride, income and employment (esp. for women), and educational opportunities such as becoming more multilingual.

Just like when the guest house tourism was introduced, homestay is likely to expand the transport network in the country further. Transport is one of the fundamental requirements in the Maldives, and expansion of the network will bring multiply effects to the economy and the well-being of the people.

On the other hand, the homestay has some negative externalities for the community. For example, an individual host family may not be able to consider the costs such as waste (a tourist produces 5-6 times more waste than a local person), inflation, and loss of beach.

Will homestay be a catalyst for human capital development in the local community? Will it be more inclusive than guesthouse tourism? A good indicator of the success of homestay could be an increase in female entrepreneurship in the local community. We know that due to cultural reasons, resorts are not a choice of work for many females, and even guest house tourism has failed to incorporate women into the tourism production cycle.

In conclusion, without proper analysis or case study, it may be too early to say the benefits of homestay far outweighs the costs.