

Report on factors, issues and impacts of hospitality and tourism industry of mald...

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Report on Factors, Issues and impacts of Hospitality and Tourism Industry of Maldives By Mauroof Zakir 2011

1. Introduction of hospitality and tourism industry of Maldives

An island nation in the middle of Indian Ocean, consisting of 26 coral atolls dominated by over 90% of Sea and its situated in about 700 km south west of Sri-Lanka is so call Maldives. In total, these geographical atolls contain about 1, 190 islands of which only less than 200 are inhabited. In the Maldives, the tourism industry is identical with resort islands and each resort occupies a separate island and is totally self-contained. The tourism industry begins in Maldives as early as 1972, as a best place for spear fishing. The Italian Explorer Mr. George Corbin visited to Male the capital of Maldives in 1971 on his way of exploring of Virgin Island and he travelled to nearby islands. These islands include the first resort of Maldives “ Kurumba Village" (Vihamanaafushi), and many more nearby. Corbin photographed the natural beauty of perfect islands and spent a wonderful time writing articles about the Maldives (Maldives Online Guide, 2010). On Wednesday 16th February 1972 the very first tourist group of 22 arrives to Maldives from Italy. They spent 12 days in Maldives. During their stay they visit uninhabited islands and Local Islands, they did snorkeling and fishing. In 1972 together with Mr. Corbin and Local entrepreneur started to develop the first resort in the Island of Vihamanaafushi with the capacity of sixty tourists. As a result the first resort was opens in 3rd October 1972 with 30 rooms. At the same time the former President Mr. Ibrahim Nasir took initiate of develop the second resort which was opened in 10th December 1972 with the capacity of 210 beds with more facilities and services (Maldives Online Guide, 2010). At present, there are over 100 resorts located

in the different atolls constituting the Republic of Maldives. Over the past few decades, the number of tourist's arrivals in Maldives has raised endlessly today, more than 700, 000 tourists visit the Maldives each year across the globe. Maldives is now very famous for its natural beauty which includes the blue ocean and white beaches, accompanied by clean air and lovely temperatures as well as scenic peaceful environments (Tourism year book, 2010). The atmosphere of the Maldives is ideal for tourists to get engaged in water sports such as swimming, fishing, diving and windsurfing. Due to its extraordinary underwater scenery and clean water, Maldives is ranked among the best recreational, diving destinations of the world and we are the owner of the White sands with Cristal Clear Lagoons, as well as Maldives is rated the best honey moon destination of the world.

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Today tourism is the largest industry of the Maldives which gives 60% of foreign exchange along with over 30% of Gross Domestic Product of the country. The wider travel and tourism created both direct and indirect jobs over 30 thousands. Since the tourism industry has grown up to world class level, it leads and drives the private sector with the support of the Government of the Maldives. Indeed the success of today's Maldives tourism industry is greater contribution of the both private and public sector partnership. The mandates of tourism ministry include the sustainable developments of tourism in the Maldives. There for the ministry is expanding the strategic sustainable plans for the future of the industry by emphasizing the developing tourism in harmony with nature, facilitating the private sector investment, developing the human resources, increase employment

Opportunity, diversifying market and products, and the spreading the economic developments of tourism within the whole country through law and middle market entrepreneur development. The mission of the Ministry is expending and sustaining the Maldives tourism industry as a key tool of economic and social improvements in a way which benefits to all Maldivian.

2. Factors that effecting to the Industry Maldives hospitality and tourism industry shows the enterprising spirit and creative capability of Maldivians.

The economic growth of the local islanders as well as whole nation is very much dependent to the developments of tourism. Even though the major foreign exchange and the GDP of the country is relay on the tourism industry, still there is many factors that affect the industry. There are internal and external factors that affect the industry.

2. 1. World Economic rescission World economic rescission is one of the external forces that affect the tourism industry of Maldives, since the major and the biggest market of Maldives tourism is based on the European and Asian customers. There for any economic effect of the international economy will be a direct impact to the tourism industry. There for due to recent world economic crises, Maldives also recorded a decline of -4% in tourist arrivals in 2009 compared to 2008(Tourism year book, 2010).

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2. 2. External Shocks Tourism in Maldives has suffered external Shocks such as tsunamis, severe acute respiratory syndromes (SARS) and the threat of bird flu, as well as wider effects of terrorist attacks both internally and external, climate change and the rapid increase of air fuel cost. As we have seen that during and after the tsunami our occupancy rates drop down to 30 % which normally retains

over 70%. Similarly the rate of tourist arrival gone down during the pandemic period of SARS and Bird flu. Since Maldives is Law-laying Island nation, the risk of submerged as a result of climate changes is much more difficult factor that affects the hospitality and tourism industry (Barrows, Clayton W, 2008).

2. 3. Less of qualified labor Less in number of experience and well hospitality oriented, qualified workers due to expending of industry. Increase of employment turnover due to competitive career challenge. Due to increasing of up-scale tourism demand for qualified labor has increased rapidly. Increasing of migrant workers in hospitality industry reduces the opportunity for local as a result, unemployment rate of the country increase up to 34%.

2. 4. Increasing of cost of goods Construction cost and Price increases in fuel and certain consumer goods have also affect the development of industry. Since Maldives is country that exports all the good and constructional and maintenance equipments. Devaluation of currency leads roses the cost of material which result delaying of opening new resorts and more risk of investing on marketing and further development.

2. 5. Introducing of new law and regulation The tourism industry has witnessed an increase in legislation and regulation that affects business, normally enacted to protect companies and consumers from unfair business practices. Unexpectedly implementing of new legislation creates more frequents changes to the packages, pricing and difficulties of reaching the targeted budgets. It also increases the indirect labor cost.

2. 6. Deprived human resources managements Human resources development strategies are essential in order to attract and retain the qualified employees in the industry and to maximize the returns of investments made in training. Due

to lack of human resource management's employee's tune over rates increases and reasonable and unreasonable industrial actions are more frequently occurs. 4 Introduction to hospitality and tourism industry

Assignment Prepared by: Mauroof Zakir Deprived of human resource management brings high level of migrant works and unavailability's of qualified work force in the hospitality industry. 3. Issues facing to the Industry Maldives tourism industry is a powerful economic force providing employment, foreign exchange, income and tax revenue. Stakeholders in this industry are increasingly operating in a global environment, where Maldives is increasingly interdependent. However the tourism industry is such significant industry to the survival of Maldives it also faces the different issues like influence of labor and skill shortage, technological, branding, emerging markets and availability of capitals. Most of these issues are not only facing to the Maldives but also globally due to globalization. 3. 1. Influence of labor and skill shortage The significant developments of Maldives hospitality and tourism development will encompass issues like influence of labor and skill shortages. Emerging of more multinational companies and globalization brings international labor standards and ethical principles. Therefore the laborers demands for better employment benefits and wages. The infant democratic process bring more international employment standards, ILO conventions and accountable institution which gives more hope awareness to the workers as a result the demands of workers are high. The accelerated rate of technological advancement has forced tourism organizations to adapt their products accordingly nevertheless lack of skilled workers creates more expenditure and time to

implement. Unavailability of experience and well hospitality oriented, qualified workers due to expending of industry also Increases of employment turnover due to competitive career challenges is also a huge issue. 3. 2.

Technological The most dramatic force shaping the future of tourism and hospitality of Maldives and the rest of the world is technology. The accelerated rate of technological advancement has forced tourism organizations to adapt their products accordingly, particularly in terms of how they develop the price, distribute, and promote their products.

Technology facilitates the continual development of new systems and features that improve the tourism product. Increasing the number of tourist who makes their own booking and reservation through internet, which result plunging of the role and business of local of travel agents and tour 5

Introduction to hospitality and tourism industry Assignment Prepared by: Mauroof Zakir operators. It also has allowed for extra security in hotels and resorts. It has also created new entertainment options for travelers, such as in-room movies and video games. However the lack of legislation and deprived low enforcements uncertainty creates an issue of advancements. 3.

3. Branding Extension of Maldives hospitality and tourism industry brings many international branded companies. Creating a brand identify the unique service and product of company. However most of local hotel group does not have their international brands, it creates more challenges to local hotel chain to market their products. Most of holiday destination remains itself as a brand. Especially Maldives is a unique brand by itself as natural beauty which includes the blue ocean and white beaches, accompanied by clean air and lovely temperatures as well as scenic peaceful environments. Therefore any

substances like political, economical, and social that affects to Maldives, it creates damage for whole industry. 3. 4. Emerging markets One of issue is expanding of market there for the industry need to identify the customer base. Today, we see luxury customers in two different major demographics. There is an older generation who has wealth and wants to travel. Then there is a younger generation with children, and travel with families but who have acquired wealth, either through work or through inheritance, and are able to afford luxury vacations. Due to the expanding of market and increasing of number of travelers, Maldives hospitality industry need to expend and develop resorts more on to luxury and mid market customers. 3. 5. Capital availabilities Availability of capital for the development of industry is significant. The inherited deficit government budget and recent world financial crises led to down of Maldives economy. National banks and other financial institutions face more risk of direct injection due to the shaking of economy, and dropping of interest rate. Currency fluctuation and increasing of construction cost may require more initial capital. So investors needed to be aware these trends and plan ahead to take advantage of capital market condition. 6 Introduction to hospitality and tourism industry Assignment Prepared by: Mauroof Zakir 4. Impacts of hospitality and Tourism Industry When analyzing the impact of hospitality and tourism Industry, economic impacts of tourism highlight more on positive benefits for Maldives. On the other hand environmental, social, cultural impact studies are likely to focus more on negative impacts from tourism. This is in spite of the fact that there are negative economic impacts of tourism (e. g., seasonality) and in many cases positive environmental and social impacts (e. g. protection of natural &

cultural resources in the area and education of both tourists and local residents). 4. 1. Social and Cultural impacts One of concerning effect from tourism to Maldives is the negative impact created by tourism through the development and expanding of tourism lead to losing our cultural, social, identity by catering for the perceived needs of tourists. Since Maldives is Muslim country tourism affect the way of living through fashion and behaviors. The geographical isolation makes families dependent on cash income from tourism and therefore less likely to participate in time-honored work and social activities. 4. 2. Environmental impacts Maldives hospitality and tourism industry is depends on environment more than any other activity and principle. Tourism in the Maldives exists only due to the physical and geographic features of the coral islands. The beauty of the underwater world at the reefs, clean water in the lagoons, white and perfect sandy beaches, a rich island vegetation and ideal tropical climate which form a virtual paradise that attracts tourists. According to the surveys done by the governments of Maldives revealed that the pollution of the sea with garbage, piles of waste found in the resorts often close to the tourist resorts, the picking of corals, bleaching of coral due to el-Niño and were features present that did not fit into the tourists image of the Maldives. Beach erosion, finding rubbish and plastic bags on the continental slope are the major existing environmental problems. Tourist-related development (eg: resort development dredging, increases of water usage) cans also have significant increasing impacts on water quality and the aesthetics of host communities. Increasing of tourism also increases waste and energy consumption it confronts the government carbon neutral mission 2020 and

implies the global warming. To minimize the environmental effects from tourism government can strict the laws and regulation related to environment, making compulsory of doing environmental impact analysis(EIA) before starting any projects, implementing of proper waste management system through CSR and open more opportunity to develop eco tourism , carbon natural source of energy. 7 Introduction to hospitality and tourism industry Assignment Prepared by: Mauroof Zakir 4. 3. Economic impacts Today in Maldives tourism is one of the largest and dynamically developing sectors of internal and external economic activities. Its high growth and development rates, considerable volumes of foreign currency inflows, infrastructure development, and introduction of new management and educational experience actively affect various sectors of economy, which positively contribute to the social and economic development of the country as a whole. Maldives tourism industry is a powerful economic force providing employment, foreign exchange, income and tax revenue to the entire nation. Tourism brings growth not only for the hospitality industry but also for the other sectors like fishing, agriculture and construction. The entire labor market is depends on tourism directly and indirectly expect the public servants (tourism-review, 2008). Conclusion In conclusion of this report I believe that I have briefly highlighted all the factors and trends affecting the hospitality industry as well as the issues faced by the tourism industry of Maldives. I also believe that, to address these issues the developed countries has a potential roll to play. Since the major issues are not only related to Maldives hospitality industry it also related to global hospitality industry. I believe that some of the most important global issues are not being

addressed adequately, and be concerned that the current generation may leave the planet in worse shape than it inherited it. 8 Introduction to hospitality and tourism industry Assignment Prepared by: Mauroof Zakir

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