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### The Motivational Aspects of Innovative Activities by Small Businesses in the Maldives

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**Abstract.** Innovation is now the most crucial factor determining the development and competitiveness of economies worldwide. It applies to manufacturing products and services and a wide area of business processes related to logistics, information, relations with the environment, marketing methods, or financial management. Innovation provides the foundation for new businesses, jobs, and productivity growth and is a crucial driver of economic growth and development. Furthermore, it contributes to creating better jobs, the result of an ecological society, improved quality of life, and maintains the country's competitiveness in the global market. This article aims to identify the motivational aspects of small innovative businesses in the Maldives. The research is exploratory, and data were collected from websites, articles, journals, reports, and book chapters. The study has shown that government policies, socioeconomic conditions, education and training, and financial and non-financial support are the motivational factors for small innovative businesses in the Maldives. It proves government support is needed to increase a country's innovation capacity. Helping small businesses start and thrive is a win-win situation for the government. They can do this by offering startup incentives and taking steps to create a "business-friendly" environment. These steps include tax credits, worker training, free land, zoning changes, low-interest loans, infrastructure improvements and help with fast-tracking licensing and permitting.

**Key words:** small business, innovation, motivation, government policies, financial and non-financial policies, socioeconomic conditions.

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### Мотивационные аспекты инновационной деятельности малого бизнеса на Мальдивских островах

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**Аннотация.** Инновации в настоящее время являются важнейшим фактором, определяющим развитие и конкурентоспособность экономик во всем мире. Это относится к производству продуктов и услуг и широкой области бизнес-процессов, связанных с логистикой, информацией, взаимодействием с окружающей средой, методами маркетинга или финансовым управлением. Инновации обеспечивают основу для новых предприятий, рабочих мест и роста производительности труда и являются важнейшей движущей силой экономического роста и развития. Кроме того, это способствует созданию современных рабочих мест, что является результатом новых экологических подходов общества, повышению качества жизни и поддержанию конкурентоспособности страны на мировом рынке. Данная статья раскрывает мотивационные аспекты малого инновационного бизнеса на Мальдивах. Исследование носит обзорный характер, и данные были собраны с открытых источников, статей, журналов, отчетов и книг. Исследование показало, что государственная политика, социально-экономические условия, система образования, а также финансовая и нефинансовая поддержка являются мотивирующими факторами для малого инновационного бизнеса на Мальдивах. Это доказывает, что государственная поддержка необходима для повышения инновационного потенциала страны. Помощь малому бизнесу в создании и развитии является взаимовыгодной ситуацией для правительства. Правительство стимулирует создание новых предприятий и стартапов, предпринимая шаги по созданию «благоприятной для бизнеса» среды, и в результате получает новые рабочие места и налоговые поступления. Спектр стимулов широк и включает налоговые льготы, обучение рабочих, предоставление бесплатных земельных участков, кредиты под низкие проценты, улучшение инфраструктуры и помощь в ускоренном лицензировании и выдаче разрешений.

**Ключевые слова:** малый бизнес, инновации, мотивация, государственная политика, финансовая и нефинансовая политика, социально-экономические условия.

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### 1. Introduction

The SME sector in the Maldives was given little attention until very recently. However, the Ministry of Economic Development (MED), in close collaboration with the Asian Development Bank (ADB), started the SME project in 2006 to promote SMEs, particularly in atolls, as part of the Private Sector Development Program (PSDP). The SME development program is aligned with the government's national strategy and priorities. Hence, the SME Act was implemented on April 14, 2013. The Ministry of Economic Development (MED) has provided technical support through the 14 established business centres covering every atoll and inhabited island in the Maldives. Therefore, business registration is necessary to gain full benefits and support from the government authorities. Although small-scale businesses are not mandatory by law in most countries, in the Maldives, it is compulsory to register under the Ministry of

Economic Development as

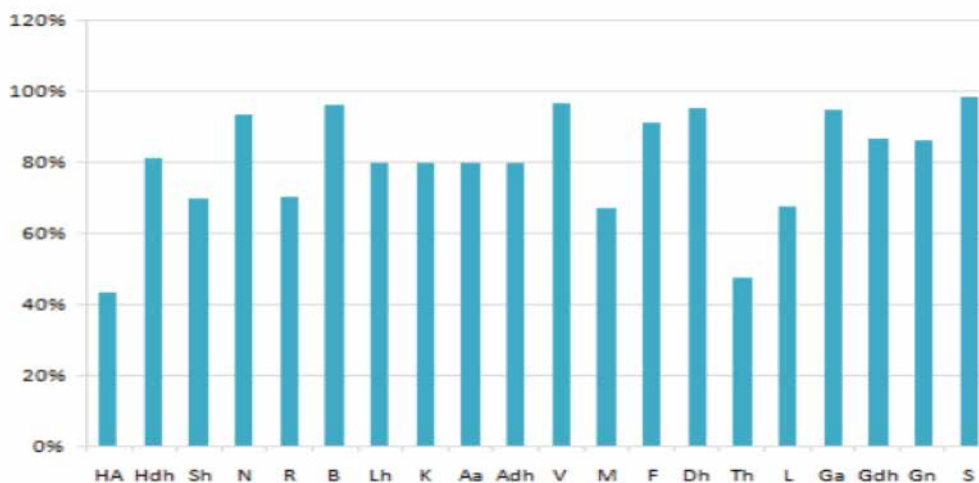
- a company registered under Law No.10/96 (Companies Act); or
- a partnership registered under Law No. 13/2011 (Partnerships Act); or
- a cooperative society registered under Law No. 2/2007 (Cooperative Societies Act); or
- a sole proprietorship registered under Law No. 19/2014 (The Sole Proprietorship Act).

The household income and expenditure survey 2019 show that the estimated number of businesses registered in the Maldives is 43,007, of which 2,775 are large enterprises. Among the registered businesses, 15,173 are in the capital, Male' while 25,059 are in the atolls [Hassan2020].

A graphical representation of SMEs as a percentage of registered businesses in each atoll is shown in Figure 1. On average, the total number of SMEs as a percentage of registered businesses in each atoll is 80%. Remarkably, the ratio is higher for a small population.

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**Fig. 1.** SMEs as a Percentage of Registered Businesses in each atoll  
Source: MIRA and Ministry of Economic Development [Sajny 2019]

Based on the new amendments to the Small & Medium Enterprises Act, the registered businesses at the Ministry of Economic Development till October 23, 2022, was 77% micro, 20% small, and 3% were medium size businesses. That is because the Maldives is disadvantaged by the smallness of the domestic market, which impedes the promotion of industrial production for export and local consumption. Starting a viable manufacturing business such as a

small-scale light industry is almost impossible when the local market is small.

### 2. Methodology

The research is exploratory. The research area is the motivational aspects of innovative activities by small businesses in the Maldives. The research data were collected from websites, articles, journals, reports, and book chapters. The Author has provided scientific, methodological, and practical

recommendations for the study.

### 3. Results and Discussions

Entrepreneurial motivation is regarded as the first step in initiating entrepreneurial activities. Scholars from various perspectives have previously interpreted the implications of entrepreneurial motivation. For example, Feixia Wu and Chuanyu Mao (2020) stated the essential environmental factors influencing entrepreneurial motivation, shown in Table 1. The motivational aspects of innovative activities by small businesses in the Maldives are the same environmental factors [Wu 2020].

Table 1. **Environmental factors influencing entrepreneurial motivation**

Influencing factor	Definition
Government policies	Preferential measures for entrepreneurs offered by government departments in taxation, facilitation of approval processes, and optimization of entrepreneurial Institutions
Socioeconomic conditions	Level of development of the local economy, industrial structure, and urban construction; infrastructures such as transport, water supply, and electricity supply; and regional entrepreneurial culture.
Education and training	Innovation and entrepreneurship education, related activities, and capacity-building training attended by entrepreneurs during their studies
Financial support	Financial support obtained by entrepreneurs in sources of financing, interest-free loans, and startup funds
Non-financial support	Assistance received by entrepreneurs in expert guidance, development opportunities, information, and resources

Source: Feixia Wu and Chuanyu Mao [Wu 2020]

#### Government policies

The strategic action plan Anne Dhivehi Rajje, from 2009–2013, attracted many entrepreneurs to invest in business activities in the Maldives. The action plan focused on policy guidelines for interventions in critical areas like decentralization, connectivity, healthcare, education, and youth and women development. In addition, it motivated the new administration to recognize the MSME sector's potential to create a more resilient and diversified economy and to add jobs, particularly on the outer atolls<sup>1</sup>.

<sup>1</sup> Sector assessment (summary): micro, small, and medium-sized enterprises. 6 p. Text : electronic. ADB : website.

Available at: <https://www.adb.org/sites/default/files/linked->

A practical and transparent regulatory environment is crucial to entrepreneurship and SME development at all business life cycle stages. Reducing the regulatory burden on SMEs can facilitate participation in the formal economy, increase productivity and competitiveness, and increase participation and profitability in a globally integrated economy. Therefore, the government passed several laws and regulations during the action plan (Anne Dhivehi Rajje) period to motivate entrepreneurs to engage in business activities in the country. The Laws and regulations are:

- Companies Act [3/2005] 3rd Amendment
- Employment Act [2/2008]
- Decentralization Act [7/2010]
- Copyrights & Related Rights Act [23/2010]
- Partnerships Act [13/2011]
- Tax Act [2011]
- Small & Medium Enterprises Act [6/2013]
- Business Registration Act [18/2014]
- Sole Proprietorships Act [19/2014]
- Special Economic Zones Act [24-2014]
- Competition Act [11/2020]
- Foreign Direct Investment Policy [11Feb2020]

In 2017, under a presidential decree in alignment with the SME Act (2013), incorporated the Business Center Corporation (BCC) and created an enabling and inclusive business environment for Micro, Small, and Medium Enterprises (MSMEs) through various support mechanisms geared towards assisting small businesses to sustain, scale, and grow. As a result, entrepreneurs and small businesses are motivated to engage in innovative activities by BCC's valuable services.

#### Socioeconomic conditions

The Maldives is a very small South Asian country in the Indian Ocean, consisting of 1190 small coral reef islands. These islands are grouped into 20 atolls for administrative purposes, and there are 187 administrative islands. It has a population of approximately 543,620 and is among the smallest countries in the world. In addition to the small population, the chains of islands are spread over about 35,000 miles, making the country one of the world's most geographically dispersed. The capital city, Male', with an area of 5.8 km, is over-populated and accommodates more than one-third of the total population. On the other hand, the population of some islands merely approximates 500 [Sajny2019].

[documents/45230-001-arm-ssa.pdf](https://www.adb.org/sites/default/files/linked-documents/45230-001-arm-ssa.pdf) (accessed 12.12.2022).

Like many other small island developing states (SIDS), the Maldives has abundant natural resources and less diverse economic activities. Until the 1970s, the Maldives was renowned for fisheries, and the fisheries sector was the main contributor to the GDP. The tourism industry was introduced in the 1970s, and since then, the industry has been flourishing in the country. Currently, it is the largest industry in the Maldives.

Despite the daunting challenges of geography and a widely dispersed population, the Maldives

has recorded significantly high real GDP growth increasing about 12.62% per cent from 2018–2019 (Table 2). Furthermore, following a significant downturn in 2020, the global economy advanced on the recovery path in 2021, mainly due to the less severe impact of the spread of the COVID-19 pandemic amid high vaccination efforts globally. In addition, the economies also remained more resilient to the pandemic-led repercussions during the year.

Table 2. Broad Socioeconomic Indicators

	2017	2018	2019	2020	2021
Real GDP (market price, in millions of US dollars)	4,325.6	4,677.0	4,999.0	3,324.3	4,376.4
GDP Growth Rate (%)	7.21	8.12	6.88	(33.50)	30.96
Inflation Rate (%)	2.82	(0.13)	0.22	(1.37)	0.54
Current Account Balance (% of GDP)	(21.60)	(28.34)	(26.56)	(35.47)	(9.36)
Fiscal Balance (% of GDP)	-3.1	-5.3	-6.7	-23.5	-13.8

Source: Compiled by the Author based on MMA Annual Report 2021 [Balegh 2022]

According to the advance estimates of the Quarterly National Accounts (QNA) for Q2-2022, the real GDP grew by 31.2% in Q2-2022, compared to the corresponding quarter of 2021, after recording a growth of 22.4% in Q1-2022. Further, the actual annual GDP for Q2-2022 was 11.5% higher than the pre-pandemic levels of Q2-2019, shown in Figure 2.



Fig. 2. Contribution to Real GDP Growth by Economic Sectors, 2016-2022

Source: Maldives Bureau of Statistics (MBS) [Maldives Development Update 2022]

Like The upturn in annual real GDP growth during Q2-2022 was mainly driven by the robust performance of the tourism sector and spill-over effects on related sectors. In this regard, notable developments were observed in other sectors of the economy, such as wholesale and retail trade, transportation and communication, and human health and social work activities. However, negative contributions were observed for the public administration sector during the quarter.

With the Maldives' solid economic growth performance and the government's regional development policy, the efforts to spread economic and social infrastructure equitably have helped reduce poverty in the country. As a result, Maldives has a low poverty rate, whether benchmarked against the national or international poverty line, but poverty is heavily concentrated in atolls. By the national poverty line, poverty in atolls is ten times as high as in Male'. Moreover, the country's population is divided between 52 per cent to 48 per cent in favour of atolls, which means many poor Maldivians reside in atolls, shown in Table 3.

Table 3. Poverty lines and rates in Maldives, 2019

Poverty Line	MVR-Daily	MVR-Monthly	MVR-Annual	Poverty Rate - The Maldives	Poverty Rate – Atolls	Poverty Rate – Male'
National Poverty Line (LRPL)	71.4	2172.6	26071.5	5.4	9.5	0.9
High Poverty Line (HRPL)	142.8	4345.2	52143	43.9	67.3	18.1
USD 5.5 PPP (UMIC)	59.6	1812.8	21752	1.7	3.2	0

Source: Poverty and Inequality in Maldives - 2022. The World Bank : website. Available at: <https://documents.worldbank.org> (accessed 12.12.2022).

The Maldives comprises many islands spread countries in South Asia. The 2018 index ranks the widely apart, and an efficient transport network is Maldives 124th of 160 countries and 6th in South essential for increasing private investment. However, Asia. Although the Maldives' score and ranking the World Bank's most recent logistics performance improved from the 2010 to 2014 survey years, the index indicates that the quality of infrastructure in country's scores were reduced, as shown in Table 4. the Maldives continues to lag behind most of the

Table 4. Quality of Infrastructure: 2010, 2012, 2014, 2016 and 2018

Country Name	2010		2012		2014		2016		2018	
	Score	Ranking	Score	Ranking	Score	Ranking	Score	Ranking	Score	Ranking
India	3.16	38	3.14	37	3.03	51	3.39	31	3.13	41
Pakistan	2.28	120	2.77	71	2.79	75	2.82	67	2.59	88
<b>Maldives</b>	<b>2.29</b>	<b>117</b>	<b>2.68</b>	<b>80</b>	<b>2.79</b>	<b>74</b>	<b>2.44</b>	<b>111</b>	<b>2.29</b>	<b>124</b>
Nepal	2.07	143	2.12	145	2.50	107	2.13	140	2.46	105
Sri Lanka	2.09	141	2.8	65	2.91	65			2.42	109
Bhutan	2.24	127	2.42	109	2.48	111	2.30	131	2.35	115
Bangladesh	2.44	96			2.64	93	2.67	80	2.48	102
Afghanistan	2.09	141	2.16	138	2.12	152	2.15	139	1.92	158

Source: Compiled by the Author based on: World Bank Logistics Performance Index 2019. The World Bank : website. Available at: <https://data.worldbank.org/indicator/LP.LPI.INFR.XQ> (accessed 12.12.2022).

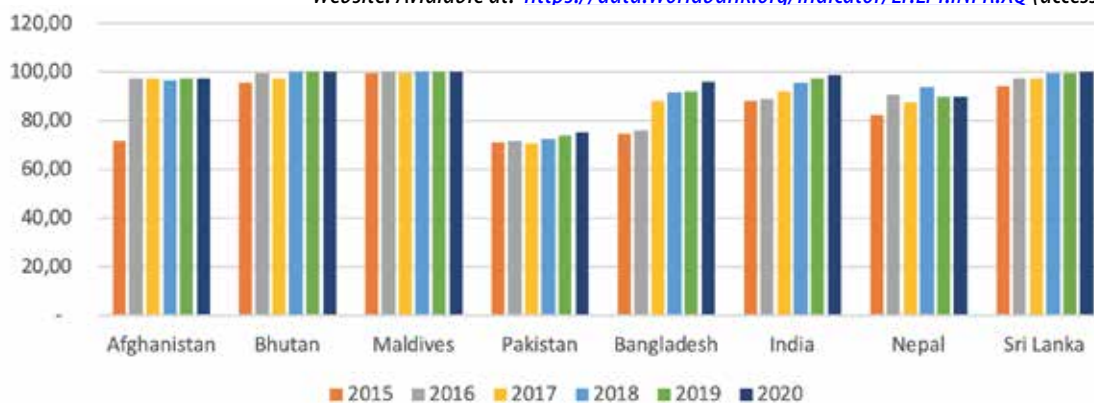


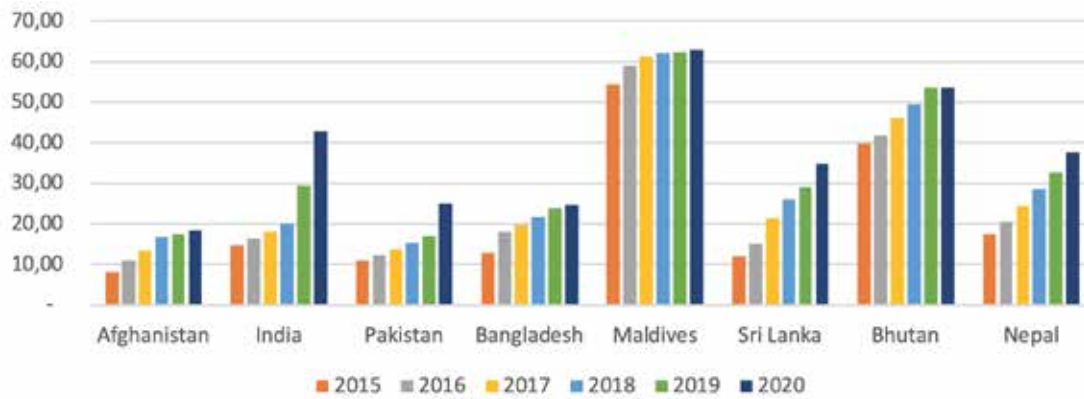
Fig. 3. Access to electricity (% of the population)

Source: Compiled by the Author based on World Bank Global Electrification Database 2021. The World Bank : website. Available at: <http://data.worldbank.org/indicator/LP.LPI.INFR.XQ> (accessed 12.12.2022).

The Maldives achieved universal access to small quantities by boat to islands, is one of South electricity in 2008. However, the country has no Asia's highest power generation costs. significant resources for conventional energy (coal, Despite an island economy, the Maldives has oil, or gas). As a result, the country has depended South Asia's highest electrification ratio (Figure almost entirely on fuel imports for its energy 3). In 1990, only six islands had access to 24-hour requirements, and this reliance has intensified in electricity. With funding from international agencies, recent years. However, imported diesel, shipped in the Maldives expanded its power supply to 40 outer

islands in 2010, and by 2011, all islands had access to a 24-hour electricity supply. In 2020, 63 per cent of the population or 60 per cent of households used the Internet, 55 far ahead of other South Asian countries and slightly higher than predicted for its income level. It was a remarkable improvement from

2006, when only a tenth of the population used the Internet. Maldives is also ahead in mobile phone usage, with unique mobile subscribers making up 57 per cent of the population. Maldives is far ahead of other upper-middle-income small island developing states (SIDS) such as Fiji and Jamaica on both scores.



**Fig. 4.** Individuals using the Internet (% of the population)

Source: Compiled by the Author based on: *Individuals using the Internet (% of population) 2021*. The World Bank website. Available at: <https://data.worldbank.org/indicator/IT.NET.USER.ZS> (accessed 12.12.2022).

### Education and training

Education is crucial in promoting sustainable development through individuals' capacity building for society's socioeconomic advancement. In the Maldives, considering the importance of education, the constitution bestowed education as a human right and mandated the government to provide free education up to Class 10.

Starting late 1970s, the government launched development planning, and by 2006, the country had issued seven National Development Plans (NDPs). In addition, it resulted in the implementation of other national-level policy documents relevant to the education sector, including:

- The Youth Manifesto 2013-2018 was implemented to support youth, especially those who leave school without completing their education, to become the country's skilled workforce.
- National Reproductive Health Strategy 2014-2018 by the Ministry of Health.
- A National Child Health Strategy, with Every Newborn Action Plan (ENAP) Maldives 2016 – 2020.
- Finally, the current National Gender Policy 2016-2021 is founded on two key policies: (i) Political, economic, and social empowerment of women and (ii) Zero tolerance for violence against women [Maldives Gender Equality... 2014].

The rapid increase in enrollment in primary

and secondary education describes educational development in the Maldives, which rose rapidly from 42,598 in 1983 to 94,192 in 2021-2022<sup>1</sup>.

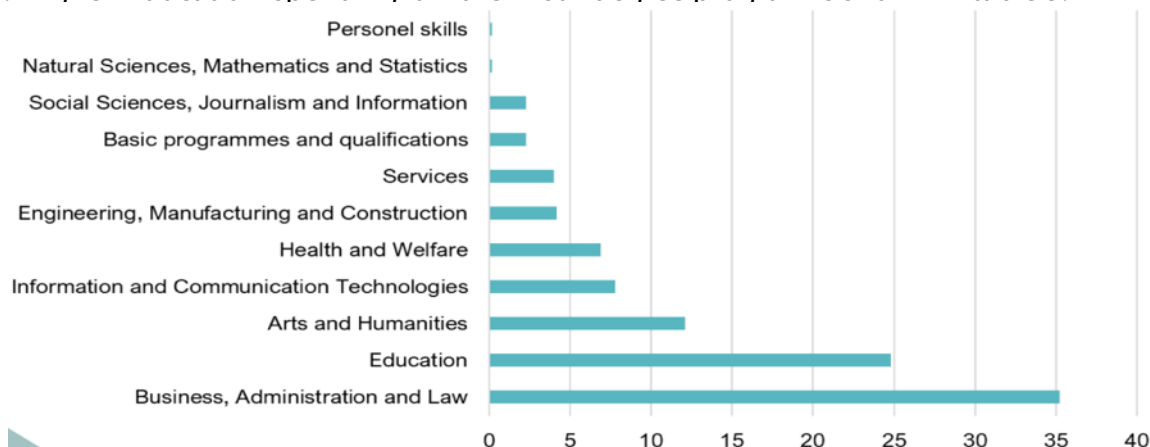
Access to primary and secondary education in the Maldives has been provided across the country, whereas higher secondary and tertiary education is being expanded through government and private sector involvement [Population and housing... 2014]. Therefore, based on higher education statistics 2019, the percentage of higher education programs conducted by the field of study is shown in figure 5.

The most conducted higher education programs by the field of study were Business, Administration and Law (36%), Education (24%), Arts and Humanities (12%), and Information and Communication Technologies (7.5%).

Most entrepreneurs in the Maldives who engage in innovative activities are ICT and business-related students. Hence, the government introduced the Free Higher Education Policy in February 2019 to motivate new students. Under this scheme, the two government universities offer free courses for students who have been offered placement to study for a degree. Furthermore, the government subsidizes a certain percentage of the course fee for degree programs offered by private colleges. The scheme applies to twinning programs, provided a student completes more extended degree coursework in the

<sup>1</sup> School Statistics 2021, 2022. M. of Education.

Maldives. Higher Education spending on the first-degree program is shown in table 5.



**Fig. 5.** Percentage of higher education programs conducted by the field of study

Source: Higher education statistics. Ministry of Higher Education : website. Available at: <https://mohe.gov.mv/> (accessed 12.12.2022).

**Table 5. First Degree Scheme**

No	Details
12,730	Students have been selected for the First-Degree Scheme
10,103	Students are presently studying under First Degree Scheme
2,127	Students completed bachelor's degree (MNQF level 7)
349	Million Maldivian Rufiyaa (MVR) has been disbursed for the First-Degree Scheme

Source: Celebrating three years of free degree. Ministry of Higher Education : website. Available at: <https://mohe.gov.mv/di/news/celebrating-three-years-of-free-degree> (accessed 12.12.2022).

### Financial support

The government established SME Bank, the SME Development Finance Corporation (SDFC), to assist with affordable financing for SMEs in March 2019. The Corporation provides loans up to MVR1 million without collateral to micro and small enterprises. In addition, SDFC's Fashaa Viyafaari loans (startup loans) can offer up to MVR2 million – with amounts exceeding MVR1 million requiring collateral – for startup businesses to raise finance during their initial stage. It is the Corporation's most popular product, with 252 loans being approved. SME Loan Scheme – over MVR160 million disbursed between 2016 and 2018 – benefiting 147 SMEs; more than 40 per cent is allocated to youth and women. The approved loans by SDFC are shown in table 6.

**Table 6. First Degree Scheme**

Sector	No. of Loans	Amount, MVR
Agriculture	31	14,198,876.00
Commerce	289	260,394,039.00
Construction	36	35,399,906.00
Fishing	118	201,573,610.00
Manufacturing	70	64,814,700.00

Sector	No. of Loans	Amount, MVR
Tourism	151	280,744,313.00
Transport	70	104,151,251.00
TOTAL	765	961,276,695.00

Source: SDFC: The backbone of SMEs : Maldives Financial Review, 2021. Available at: <https://mfr.mv/banking/sdfc-the-backbone-of-smes> (accessed 12.12.2022).

Besides the Corporation's financial help, the government disbursed other financial loans to the SME sector development in the Maldives. The details are as follows:

- Under Private Sector Development Program (PSDP) has provided a \$3 million line-of-credit facility (LCF) to widen MSMEs' finance access. The follow-up project also offered an additional LCF (\$8.5 million), co-financed by the Islamic Development Bank and the first design.
- Get-Set Scheme – provides collateral-free loans; supports 70 MSMEs; 47 per cent for MSMEs led by women.
- MED's Enterprise Development Finance Scheme – reached 628 entrepreneurs, of whom 349 were youth and women.
- During 2021, BML lent MVR 1.4 billion to retail and SME customers of the Maldives. In addition, they even supported the government initiatives for economic recovery through the EIB Covid-19 recovery loan and economic stimulus loan and lent more than MVR 590 million to businesses.

### The Credit Guarantee Scheme

On August 7, 2016, the credit guarantee scheme of the Maldives was started. It was established to encourage banks to lend money to small and

medium-sized businesses so that residents in the Maldives have easier access to credit. Furthermore, the program was established for companies that cannot obtain a loan under typical circumstances.

The Credit Guarantee Scheme "guarantees 90% of the loan issued by participating banks to financially viable small and medium-sized firms," and the loan amount can either be 100,000 rufiyaas (approximately \$6,450) or 1,000,000 rufiyaas (roughly \$64,480). The interest rate is 9 per cent, and the repayment period is five years. In addition, the borrower can have a grace period of six to 12 months with zero collateral and an equity contribution of 20 per cent.

Table 7. Indicators of socioeconomic development of South Asian Countries – 2019

Country Name	GDP per capita, USD	Access to electricity (% of the population)	Individuals using the Internet (% of the population)	Government expenditure on education, total (% of GDP)	Domestic credit to the private sector (% of GDP)	Ease of doing business rank
	1	2	3	4	5	6
Afghanistan	500.52	97.70	17.60	3.21	3.23	173
Bangladesh	2,122.08	92.20	23.80	1.97	39.03	168
Bhutan	3,303.96	<b>100.00</b>	53.50	<b>5.68</b>	64.26	89
India	2,047.23	97.31	29.40	4.41	50.82	<b>62</b>
Maldives	<b>11,118.56</b>	<b>100.00</b>	<b>62.50</b>	4.12	32.20	147
Nepal	1,185.68	89.90	32.80	3.49	<b>78.95</b>	94
Pakistan	1,437.17	74.13	17.07	2.51	15.69	108
Sri Lanka	4,082.69	99.76	29.00	1.93	47.01	99

Source: Compiled by the Author based on World Bank data

	$d_i$	$\bar{d}_i$	$d_i - \bar{d}_i$	$(d_i - \bar{d}_i)^2$	Sd	Co	$\frac{d_i}{Co}$	USR	Rating
Afghanistan	10,618.98	7,906.29	2,712.69	7,358,710.22	8,846.15	25,598.58	0.4148	0.5852	8
Bangladesh	8,997.28		1,090.99	1,190,259.61			0.3515	0.6485	4
Bhutan	7,814.66		(91.63)	8,396.04			0.3053	0.6947	3
India	9,071.43		1,165.14	1,357,552.27			0.3544	0.6456	5
Maldives	97.02		(7,809.27)	60,984,655.41			0.0038	0.9962	1
Nepal	9,932.98		2,026.69	4,107,461.46			0.3880	0.6120	7
Pakistan	9,681.85		1,775.56	3,152,614.66			0.3782	0.6218	6
Sri Lanka	7,036.11		(870.18)	757,205.26			0.2749	0.7251	2

Fig. 6. Task Summary Table

Source: Compiled by the Author

**SME Industrial Park**

Symbolic foundation stones for the Small and Medium Enterprises (SME) Industrial Park were laid on October 11 2017. It helped entrepreneurs invest their time in developing their chosen products at low cost. The services offered in the SME industrial park are:

- Factory set-ups for the manufacture and production of specialized commercial products (crafts and specialist Maldivian products with scaling-up potential)
- Warehousing options for SMEs involved in wholesale/retail trade

- Packaging centre for additional value activities (especially in the food and beverage sector)

**SEED by BCC**

SEED is a coworking space that supports startups and entrepreneurs seeking a professional work environment to pursue their business ideas. It is an initiative of the Ministry of Economic Development and was established on July 08 2021. SEED was opened with generous support from the Government of Japan, the United Nations Development Programme, and Dhiraagu.

Entrepreneurs and SMEs benefit through SEED in



the following ways.

- High-Speed Internet
- Printing services
- Shared Spaces
- Small office spaces for rent to SME businesses
- Conferencing facilities
- Business incubation set-ups
- Showcase centre of SME products

Based on the motivational aspect of the small innovative businesses in the Maldives, a socioeconomic indicators assessment was done among the South Asian Countries to check the effectiveness of the government support for the small innovative businesses. The result and indicators of the socioeconomic development of South Asian Countries – in 2019 are shown in Tables 7 and fig. 6.

The data in Table 8 shows that the Maldives is the ideal South Asian country with good infrastructure to do business. With the help of available resources, small and big enterprises can have a promising

future in developing their businesses.

#### 4. Conclusion

The external environment is vital in building innovative businesses in a country. It helps to motivate entrepreneurs to enter into the innovative business sector. These small innovative businesses can fuel economic growth, creating many new job opportunities, driving the innovation bandwagon, and expanding the tax base. Economic growth, social development and climate action heavily depend on investments in infrastructure, sustainable industrial development and technological progress. In the face of a rapidly changing global economic landscape and increasing inequalities, sustained growth must include industrialization that first makes opportunities accessible to all people and, second, is supported by innovation and resilient infrastructure. Therefore, governments must expand infrastructure development in their countries to motivate more to engage in business activities.

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