SMALL BUSINESS
HOUSEHOLD INCOME & EXPENDITURE SURVEY 2019

Maldives Bureau of Statistics,
Ministry of National Planning, Housing & Infrastructure

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ABBREVIATIONS

GDP	Gross Domestic Product
HIES	Household Income and Expenditure Survey
ISIC	International Standard Industrial Classification of All Economic Activities
SME	Small and Medium Enterprises

INTRODUCTION

This report provides a description and detailed analysis of the small enterprises in the Maldives using Household Income and Expenditure Survey 2019 including the informal sector. This provides a detailed analysis of small enterprises located in 17 atolls and Greater Male'. The report is structured similar to the other analysis chapters of HIES 2019. This is one of the most significant achievement of HIES as priory to this, neither no data on the small enterprises were collected to this level nor an analysis was done prior to this. It is the only source that provides recent information on number of small enterprises, number of persons engaged along with their geographical distribution, type of ownership, income, expenditure, profit etc. It provides invaluable information for economic planning and decentralisation policy planning. In writing this analysis every effort has been made to make this analysis understandable to the readers and it is foreseen to provide countless opportunities for the public.

The report has three sections. Section 1 gives a background and presents its methodological framework of the survey. It also provides the limitations of this analysis for the readers to be cautious of while reading the analysis provided in this report. Section 2 presents evidence based economic analysis of the small enterprises by its characteristics and section 3 presents the characteristics of the owners / entrepreneurs of the small enterprises.

CHAPTER 1

1.1 SCOPE AND COVERAGE

The Maldivian economy is dominated by large enterprises operating in the tourism, construction, wholesale, transportation and telecommunication industries. Yet, the small enterprises in the economy provides employment opportunities and livelihood to many by diversifying the economy. According to Micro, Small and Medium Enterprises Law (Law No: 6/2013), enterprises are classified into micro, small and medium enterprises by two criteria. That is by the number of full-time employees and annual income/turnover. The below table provides classification of micro, small and medium enterprises in the context of SME Law. Small enterprises are defined in the SME Law as enterprises having 6 to 30 full time employees or an annual income or turnover between 500,001 to 5 million.

Table 1: Classification of enterprises in SME Law and HIES 2019

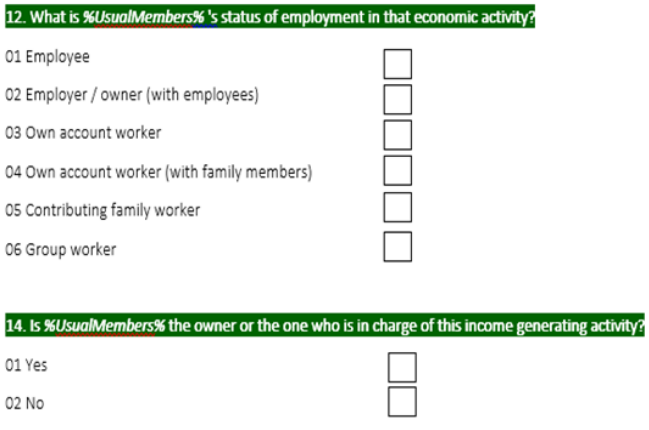
Category	No of full-time employees	Annual Income / Turnover (in MVR)
SME Law : 6 / 2013		
Micro Enterprise	0 - 5	0 – 500,000
Small Enterprise	6 - 30	500,001 – 5,000,000
Medium Enterprise	31 - 100	5,000,001 – 20,000,000
HIES 2019		
Small Enterprise	0 - 9	-
Large Enterprise	10 or more	

Source: Household Income and Expenditure Survey, 2019

However, in this analysis, enterprises are classified into small if the number of persons engaged in the enterprise is less than 10 and no annual income or turnover criteria is used. There is no distinction of enterprises between micro and small.

The reason for using the definition of classification of enterprises in Household Income and Expenditure Survey 2019 is because the main purpose of studying them is due to its relative significance to the households in providing employment opportunities and livelihood. In this respect self-employed persons are also included here due to the huge contribution to employment. As the data was collected from individuals through the households they live, this is different from establishment-based surveys collecting data from establishments.

The small enterprises are identified in HIES 2019 using Labour force module using the following filter questions 12 and 14 in Form 6. Those who have responded as **2. Employer / owner/owner (with employees)** and **3. Own account worker** in **Question 12** and among those who have responded as **04. Own account worker (with family members), 05 Contributing family worker** and **06 Group worker in Question 12** and **01 Yes** in **Question 14** are considered as small enterprises.



1.2 Limitations

The analysis presented in this chapter is based on the data collected from the Household Income and Expenditure Survey (HIES) 2019, conducted by National Bureau of Statistics. Thus, the three atolls that are not covered during HIES due to the Covid-19 pandemic has been excluded from the analysis. Also, some analysis used in the report is limited primary activity only as the data was not collected for secondary data, and have been highlighted so in the respective analysis. Some analysis such as working hours and number of days of work are collected for the past week as reference week. For the analysis of the small enterprises by industry, due to insufficient data to code, thus they have been excluded from analysis.

This chapter does not provide any comparison with surveys done on small enterprises in the past as the scope and coverage as well as the approach used in HIES is different. This analysis includes only the data collected in the survey.

1.3 Executive summary

This section provides an executive summary of the main findings of the analysis of the small enterprises presented in HIES 2019.

The number of small enterprises based on the HIES 2019 is 40,232 and 85 percent of them are own account workers and 10 percent are employers. While approximately 38 percent of the small enterprises are located in Male' while 62 percent are based in the atolls.

The survey provides evidence on the fact that as population increases the number of small enterprises also increases. Around 40 percent of the small enterprise are engaged in manufacturing activities, while 62 percent of the small enterprises are operated throughout the year. While 57 percent of the small enterprises are run within home, 21 percent do not have a fixed location to work from.

Almost three-fourth of the small enterprises (74 percent) are not registered, while only 23 percent are registered. Among the small enterprises, a total of 34,144 or approximately 85 percent have only one person engaged (self-employed), while 2,439 or 6 percent of the enterprises have 2 persons engaged in economic activity of the firm. Of the total employment of 181,144 reported in HIES 2019, the employment of small enterprises are 47,607 or 26 percent. The employment opportunities provided by small enterprises are predominantly by males as 55 percent are males while females are 45 percent. Around 86 percent of the total persons engaged in the small enterprises are locals while the foreign employment represent 14 percent.

The analysis depicts that on average a small business spends MVR 5,560 per month for each employee they have as compensation of employees.

According to HIES 2019, total revenue generated by small businesses per month is MVR 709 million. On average a small enterprise earns a monthly revenue of MVR 22,618, while it ranges from MVR 2,350 to MVR 92,501. Nearly 7.2% of revenue is generated by primary industry, 20.3% by secondary industry and 72.5% by tertiary industry. The total expenditure of MVR 504,687,460 is reported by the small businesses and of which 5.7% of expenditure is spent by primary industry, 17.2% by secondary industry and 77.1% by tertiary industry. The average monthly cost of a small enterprise is MVR 16,138, while it ranges from MVR 530 to MVR 79,616.

The small businesses in HIES 2019 reported a total profit of MVR 203,199,718. Around 10.8% of profit is generated by primary industry, 28.3% by secondary industry and 60.9% by tertiary industry. The overall average monthly profit of a small enterprise is MVR 6,480, while it ranges from MVR 1,958 to MVR 17,439.

The monthly value added of small businesses are MVR 358,645,259 and this is approximately 5.7 percent of 2019 Gross Value Added according to the Gross Domestic Product (G.D.P) estimates compiled by the National Bureau of Statistics. For small businesses, the percentage share of value added is highest for wholesale and retail trade industry (25.0%), followed by construction (19.9%) and manufacturing (12.5%), respectively. Even though accommodation and food services accounts for more than one-fifth of GDP, the percentage share of value added of the industry by small businesses accounts for 5.3 percent only.

Of the 40,232 small entrepreneurs, 11,445 or 28 percent are youth, while 26,514 or two-third of are adults and 2,274 or 6 percent belong to the elderly persons (65 years and above).

Approximately 20,772 small enterprises or 52 percent are owned by women while 19,460 of them are owned by men. Majority of the small entrepreneurs or 58 percent have no certificate achieved as their educational attainment. Approximately 15 percent of the entrepreneurs have completed O' level while only 2 percent has completed A' Level as their highest educational attainment. Technical/ vocational certificate / diploma is completed by approximately 15 percent while only 9 percent of entrepreneurs hold a Bachelors' Degree and above.

Over 7 percent of the small entrepreneurs work for 13-to-18 hours a day, while 28 percent work between 7 to 12 hours a day and 65 percent put in 6 hours or less a day. Approximately 40 percent of the small entrepreneurs work for 7 days a week.

CHAPTER 2

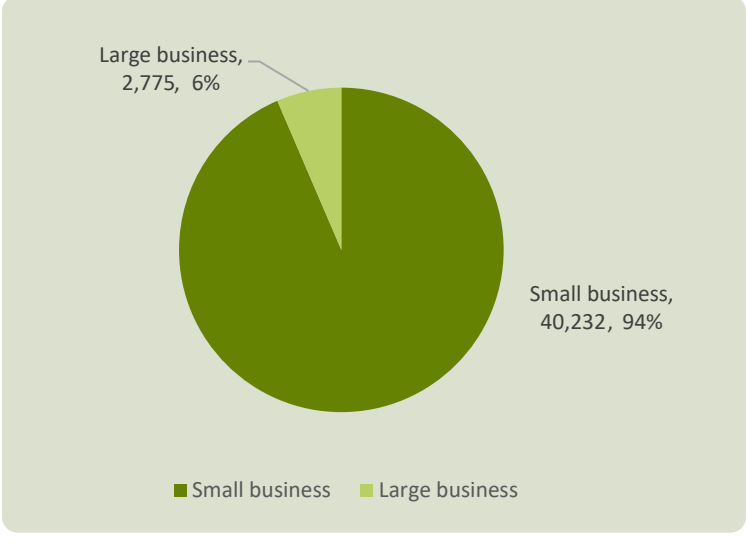
2 CHARACTERISTICS OF THE SMALL ENTERPRISES

This chapter provides analysis of the small enterprises by its characteristics; namely type of ownership, location, type of place the work is carried out, legal type, registration, sector, whether it is related to tourism, number of months in operation in the past year, number of persons engaged, income, expenditure, profit and value added.

1.1 NUMBER OF BUSINESSES BY SIZE

In HIES 2019 the estimated number of businesses are 43,007, of which 2,775 or 6% are large enterprises with 10 or more persons engaged.

Figure 1: Number of business by size



Source: Household Income and Expenditure Survey, 2019

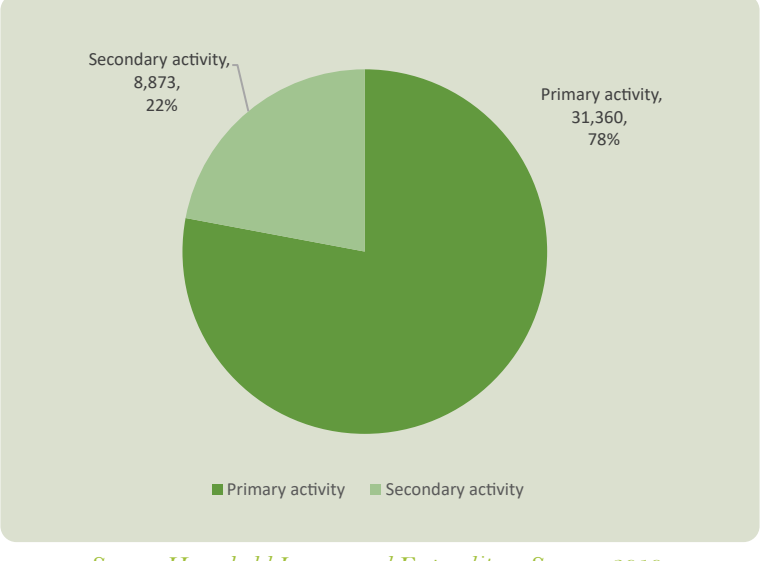
According to the definition used in HIES 2019, as represented by Chart 1, there were a total of 40,232 small enterprises in operation in Maldives during 2019. These enterprises are operated as the primary or the secondary activity of the owners. The criteria used to determine whether an activity is a primary or secondary activity of a person or business unit is most time.

A total of 31,360 or 78 percent of the small businesses are carried out as primary activity of the owners.

A secondary activity is an activity performed by a person or a business unit in addition to its primary or principal activity. The estimated number of small businesses that are carried out as secondary activity is 8,873 or 22 percent.

2.1 Number of small enterprises by type of activity

Figure 2: Number of small enterprise by type of activity



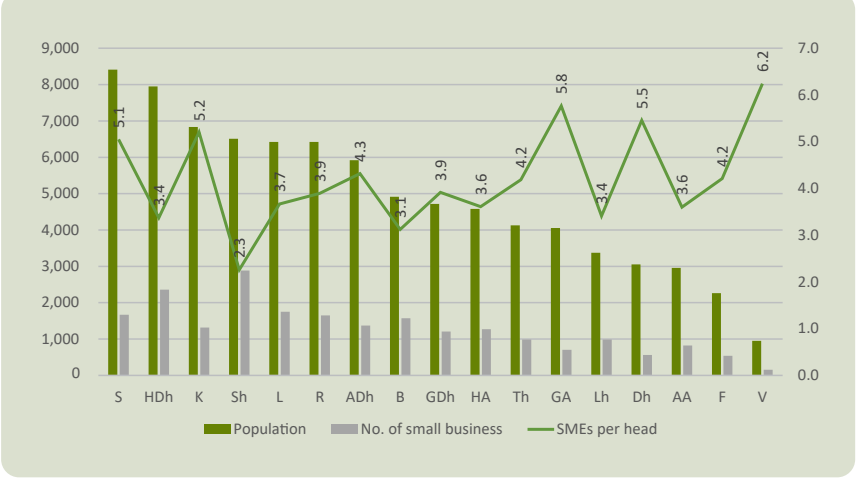
Source: Household Income and Expenditure Survey, 2019

2.2 Number of small enterprises and population size

The quantity, quality, structure, distribution, and movement of population can act as a catalyst or hinder economic development. The Chart 3 shows that as the population increases, the number of small enterprises also increases. To find out the magnitude of the relationship of the two variables, a correlation test was done. The resulting correlation coefficient of 0.83 implies that, 83% of the variations in the number of small enterprises in the atolls are explained by the population size of that atoll. If Male' is included in this analysis, the correlation coefficient increases to 0.99 indicating nearly perfect correlation between the population size and the number of small enterprises.

On contrary to that, the number of persons per small enterprise tend to fall with the increase in the population size with the mean of 5.0 persons per small enterprise. The less populous atolls, such as Vaavu, Faafu, AA and Dhaalu, has a number of persons per small enterprise much lower than the mean while atolls such as Addu City, HDh, Sh and Laamu has higher number of persons per enterprise than the mean.

Figure 3: Number of small businesses, population and SMEs per head



Source: Household Income and Expenditure Survey, 2019

2.3 LOCATION

Based on HIES 2019, a total of 40,232 small enterprises in operation in the Maldives, of which 15,173 were in Male' while 25,059 were located in the atolls.

An analysis was done to find out the relationship between small enterprises and the population size in Male', Atolls and in Total using HIES 2019. This was done by finding out the number of persons per small enterprise. The results were depicted in the Table 2 below. While the no. of persons per small enterprise in Male' is 14.1, in Atolls it is 9.5 and 11.2 in total for the Maldives. The reason for the decline in the number of persons per small enterprise in Male' could be due to the existence of large enterprise in Male' due to its population size (214,503 or 47% of the total population).

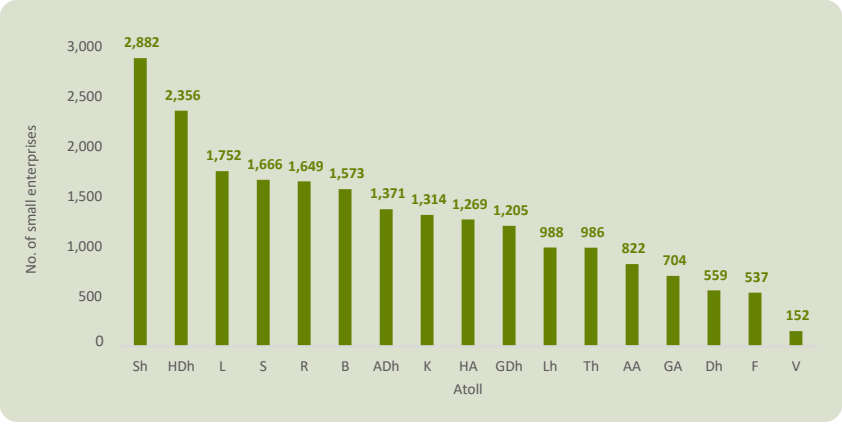
Table 2: Number of small enterprises, population, and no of person per small enterprise by locality

Locality	No. of small enterprises	Population	No. of persons per small enterprise
Male'	15,173	214,503	14.1
Atoll	25,059	237,119	9.5
Total	40,232	451,622	11.2

Source: Household Income and Expenditure Survey, 2019

As HIES 2019 was conducted in 17 atolls (all atolls except Noonu, Meemu and FuahMulah City), atoll wise data is available from the survey for these atolls, total of 21,784 small enterprises. Estimated number of small enterprises for the three atolls not covered in HIES 2019 is 3,275. Among the atolls covered in the survey (Chart 4), Shaviyani Atoll has the greatest number of small enterprises, followed by Haa Dhaalu Atoll and Laamu Atoll. Vaavu Atoll has the least number of small establishments while Faafu Atoll has the second least. The reason for having lesser small enterprises could be due to the population size and the lesser number of inhabited islands in these atolls.

Figure 4: Number of small enterprises by atoll



Source: Household Income and Expenditure Survey, 2019

2.4 Small enterprises by industry

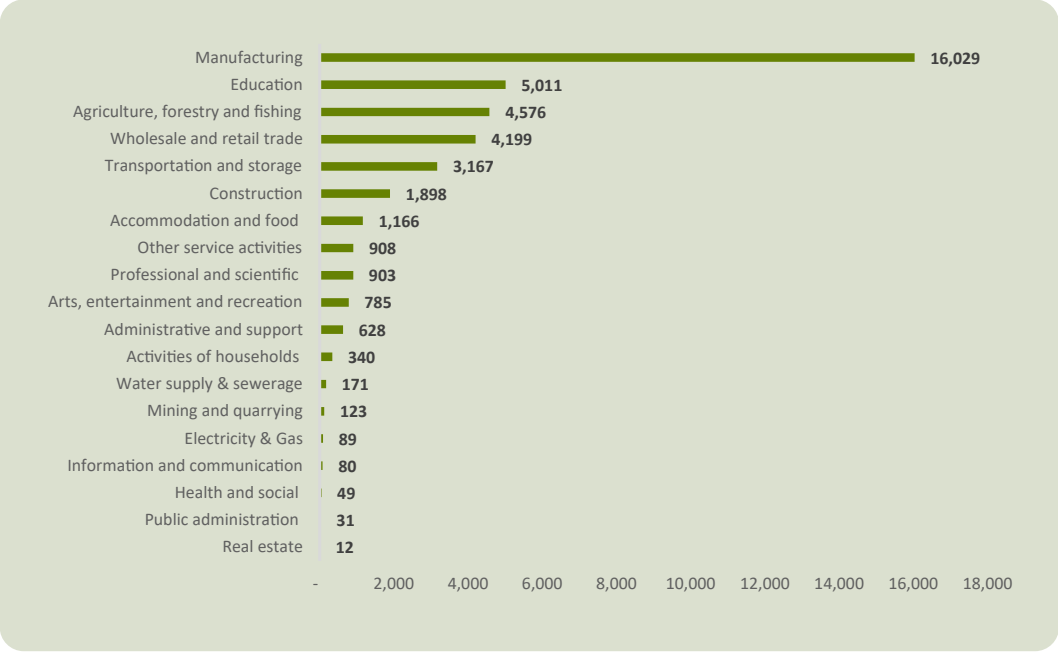
Although the estimated number of small enterprises according to HIES 2019 is 40, 232, due to unavailability of sufficient data or due to non-responses, a total of 40,164 enterprises were classified into industries. The enterprises were classified into industries using International Standard Industrial Classification of All Economic Activities (ISIC), Revision 4.0.

Approximately 40 percent of the small enterprises were engaged in manufacturing activities. Among the manufacturing, most small enterprises were engaged in manufacturing of wood products (32%) followed by manufacturing of other food products (29%). Only 3 percent were preparing fish products.

The second most populous industry is education with 12 percent of all the small enterprises. Approximately 96 percent of all educational services are other educational services not elsewhere classified. This includes mainly Quran classes and other such educational services.

The number of small enterprises engaged in fishing and aquatic activities account to 2,232. On the other hand, the number of small enterprises carrying out agricultural activities are 1,962.

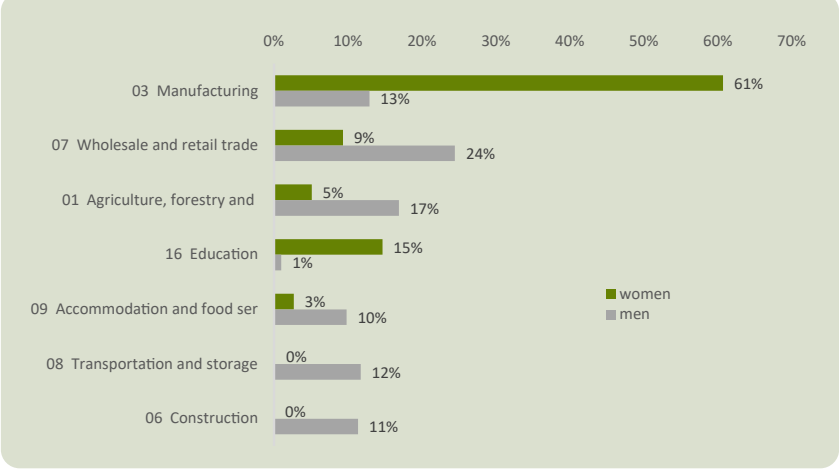
Figure 5: Number of small enterprises by industry



Source: Household Income and Expenditure Survey, 2019

It's interesting that 61 percent of all women workers in these small businesses were engaged in the manufacturing industry. Education sector had 15% of women, followed by trade. One fourth of all men in these small businesses were engaged in trading, followed by agriculture and fishery industry. Figure below shows the seven main industries where 90 percent of employment in these small businesses were concentrated.

Figure 6: Percentage of men and women by industry



Source: Household Income and Expenditure Survey, 2019

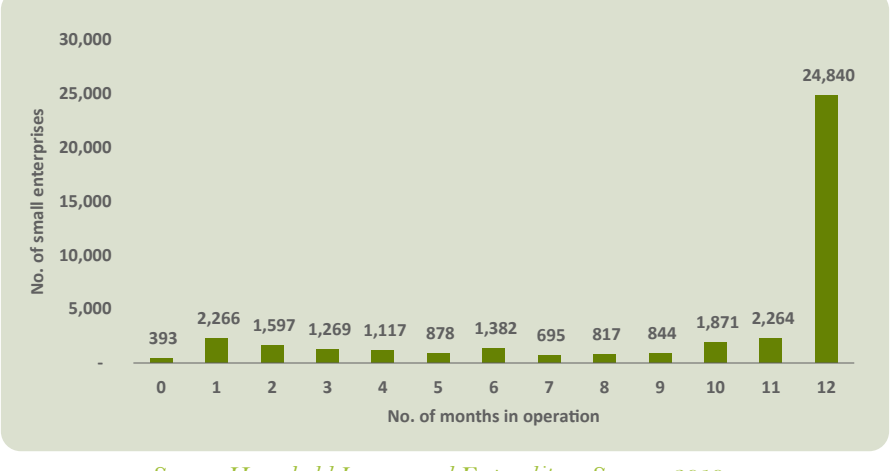
2.5 Number of months of operation

Chart 7 shows number of small enterprises by number of months of operation. Among the small enterprises 24,840 of the total or 62 percent worked during all twelve months in the past year. It is not certain why many of them did not work throughout the year or most of the months. One reason could be the business started its operation recently or it could be due to the seasonality of the economic activity carried out by the enterprise.

All the small enterprises providing electricity and gas operated throughout the year, while not all the enterprises engaged in other economic activities were operational over the past twelve months. Only 31 percent of educational enterprises were operated throughout the year as the rest of the establishments were closed during the school holidays. Approximately 57 percent of the manufacturing enterprises were operated during the whole year.

It is noteworthy here to state that 393 small enterprises were in operation for less than a month, while 2,266 were operational for merely a month. Approximately 19 percent of the enterprises were in operation for less than 6 months.

Figure 7: No of small enterprise by no. of months of operation



Source: Household Income and Expenditure Survey, 2019

2.6 Legal type of ownership

The legal form of organisation generally includes four types. They are sole proprietorships, partnerships, corporation and limited liability companies. In HIES 2019, the legal type of ownership is asked only for the primary activity carried out by the owner. Thus, this question is answered by 31,360 small enterprises. As most of the small enterprises are not registered within a national authority, the legal type of ownership of most would be sole proprietorship or partnership, however the legal type of ownership is only asked for companies. Of the small enterprises, only 742 or 2% are registered as companies. For the rest, 30,618 enterprises can either be sole proprietorships or partnerships. Approximately 17,940 or 57% of them are located within the owners' dwelling with most being self-employed persons, 6,718 or 21% have no fixed premises to work, 4,900 or 16% are private establishments, 1,035 or 3% work on agricultural plots. Activities that require no fixed premises include fishing and construction work. There were a total 25 non-profit organisations reported in the survey.

Figure 8: Legal type of small enterprise

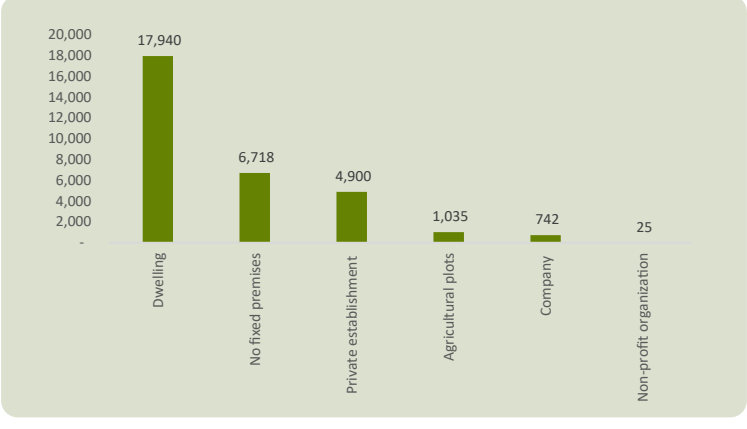
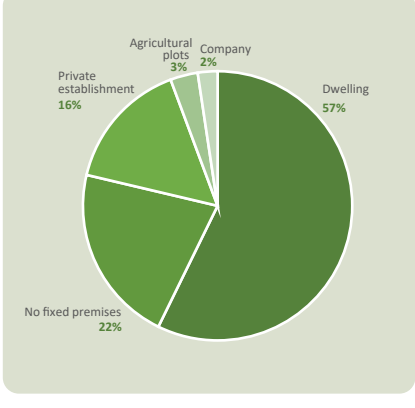


Figure 9: Legal type of small enterprise



Source: Household Income and Expenditure Survey, 2019

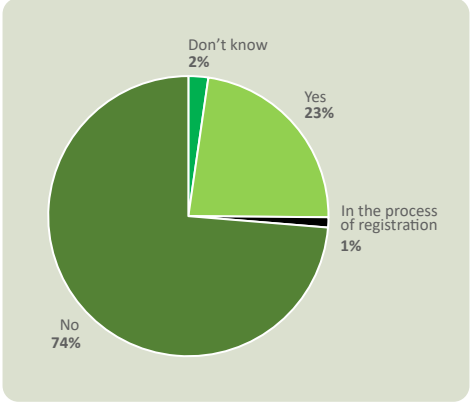
2.7 Registration

Registration of SMEs are necessary in order to reap the full benefits and support provided by the government authorities to them. Although in most countries, small scale businesses are not mandatory by law to register, in Maldives they have to be registered in order to recognise the enterprise as an SME. In Maldives, it is mandatory to register under Ministry of Economic Development as a sole proprietorship, a partnership or a limited company.

In HIES 2019, the question of whether the business is registered with a national authority is not asked for all the small enterprises. Of the 40,232 small enterprises operating in the Maldives, this question was asked to 36,110 enterprises. That is all the small enterprises except those which are owned by an employer, which accounts for 4,122 small enterprises. The chart 9 below summarises the results in terms of percentage share.

It is shown in the figure below that percentage share of small enterprises not registered accounts for nearly a three-fourth. In terms of the number of small enterprises, this is 26,613. Less than a quarter or approximately 23 percent of small enterprises are reported as registered. Only one percent of the small enterprises reported that they are in the process of registration while 2 percent reported that they do not know whether it is registered or not.

Figure 10: Percentage of small enterprises by registeration



Source: Household Income and Expenditure Survey, 2019

2.8 Type of ownership

The type of ownership provides an indication of the scale, control, means of financing and whether there is any risk pooling involved in the start-up stage of the small business. The number of small enterprises can be classified by the type of ownership. They are classified whether it is;

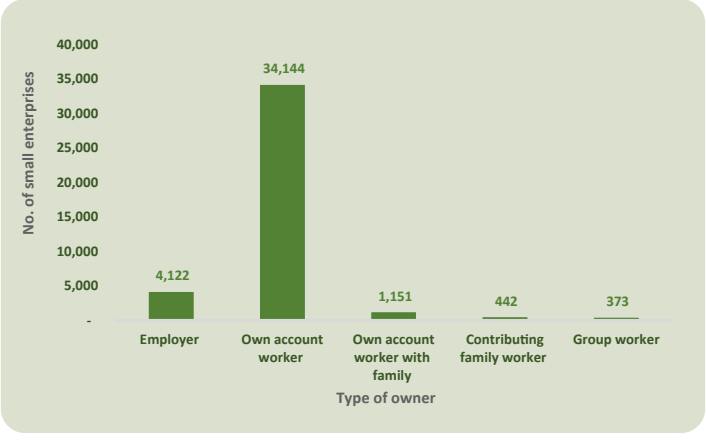
- owned by an employer with staff employed under him/her
- own account workers or self-employed without any other person engaged in the economic activities carried out by the enterprise,
- own account worker with family members assisting him/her in the day-to-day affairs of the business on temporary basis during the reference period,
- contributing family worker where he/she operates the business with the other family members and share the profits of the business based on an agreed percentage, and
- a group worker where the business is operated by a group of non-related individuals / friends with the motive of making profit and distributing the profit based on a percentage mutually / contracted by them.

The Chart 10 below shows the number of small enterprises based on the type of owner. Of the total 40,232, most are operated solely by an own account worker. A total of 34,144 or 85 percent of the economic activities of the small enterprises are carried out by the own account workers.

A total of 4,122 small enterprises are owned by employers with paid staff. This accounts for up to 10 percent of the total number of small enterprises as shown in chart 12.

The chart below shows that a total of 34,144 small businesses out of 40,232 are owned by own account workers. This means that there are no employees, family members or group workers assisting the owner in managing the day-to-day business activities. The owner or entrepreneur has full control in decision making.

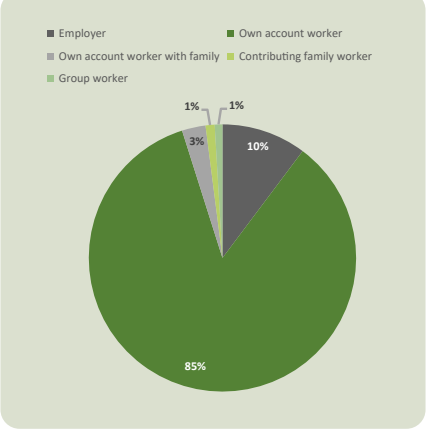
Figure 11: Number of small enterprises by type of owner



Source: Household Income and Expenditure Survey, 2019

Chart 12 shows that the ownership of a tenth of all the small businesses are employers who have one to nine employees working permanently in managing day to day activities. Three percent of all the small businesses are operated by own account workers with the direct support of family members. Approximately 1 percent of small enterprises are formed as family businesses and also by group workers.

Figure 12: Percentage of small enterprises by type of ownership



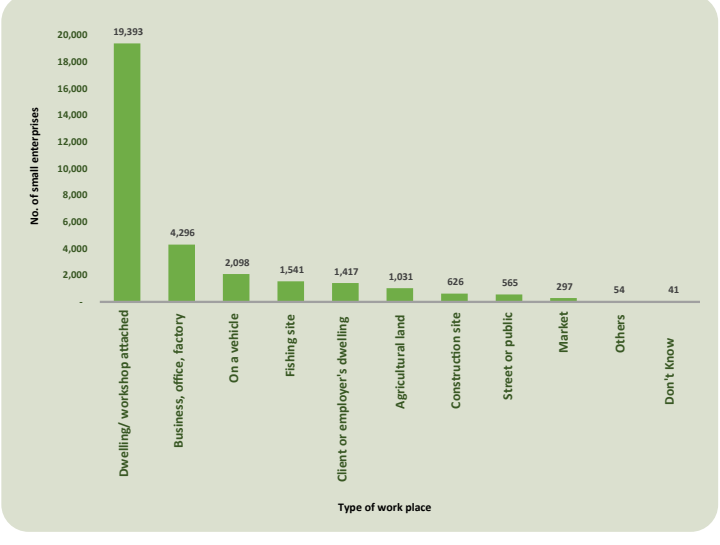
Source: Household Income and Expenditure Survey, 2019

2.9 Place of work

Place of work is very important to determine the working condition. For properly managing the enterprise and increase productivity, it requires good working conditions. However small enterprises are mostly own account workers or sole proprietorships, they lack sufficient funds required for a separate working place other than the dwelling of the proprietor.

Chart 13 below shows that the number of small entrepreneurs using the dwelling or part of the dwelling attached to the his/ her home as a place of work accounts to approximately 19,393 or 62 percent of the small entrepreneurs who were asked this question in HIES 2019[1]. A total of 4,296 or 15 percent of the small businesses are operated in a separate place such as shop, office, factory etc. Among the small entrepreneurs, 6.7 percent are vehicle operators such as taxi, pick-up or lorry drivers, 3.3 percent are farmers who work in the farm or agricultural plots while 0.9 percent works in markets. A total of 1,541 or 4.9 percent of the total small enterprises work on fishing sites as they are fishermen; 1,417 work on clients' or employers' dwelling; 1,031 work on agricultural land; 626 work on construction site; 565 work on street or public places; 297 work on the market place and 54 work as others who do not have fixed premises for work. The quality and safety of work place is not easy to determine. For example, the working condition of a fishermen is very risky during rough weather and is sometimes fatal. In fact, it is considered as one of the riskiest jobs.

Figure 13: No. of small enterprises by type of work place



Source: Household Income and Expenditure Survey, 2019

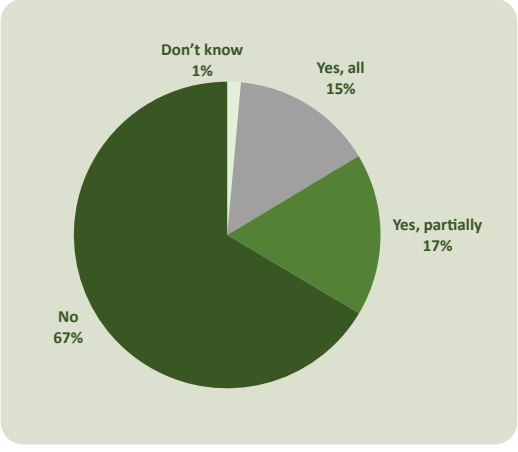
1 This question is not asked to the employers among the entrepreneurs.

Relatedness to tourism

Tourism is the main driver of Maldivian economy although the percentage share has been declining from a third of the economy to a quarter of the economy's GDP. This decline in the percentage share of tourism is not due to the decline in the value added of the sector, but rather diversification and increase in the value added of other sectors. This includes economic activities such as wholesale and retail, construction, real estate and transportation, to name a few. Even though the direct and indirect share of tourism in the Maldivian economy is unknown, it can be said that one of the main reasons for the growth in the previously mentioned activities are partially due to the expansion of the tourism industry. Thus, in HIES 2019 to analyse the significance of tourism to the small enterprises, the entrepreneurs were asked whether their business is related to tourism.

As depicted in the pie-chart below, the economic activities carried out by two-third of small enterprises are not directly related to tourism industry. However, 15 percent of the enterprises were fully dependent on the tourism sector or are tourism establishments, while 17 percent reported that they are somewhat or partially related to tourism. The fact that a third of the small enterprises being related to tourism industry indicates the crucial role of tourism industry as the catalyst to sustainable economic growth by creating space for SMEs to emerge providing employment opportunities and thereby reducing the inequality.

Figure 14: Percentage of small enterprise by relatedness to tourism

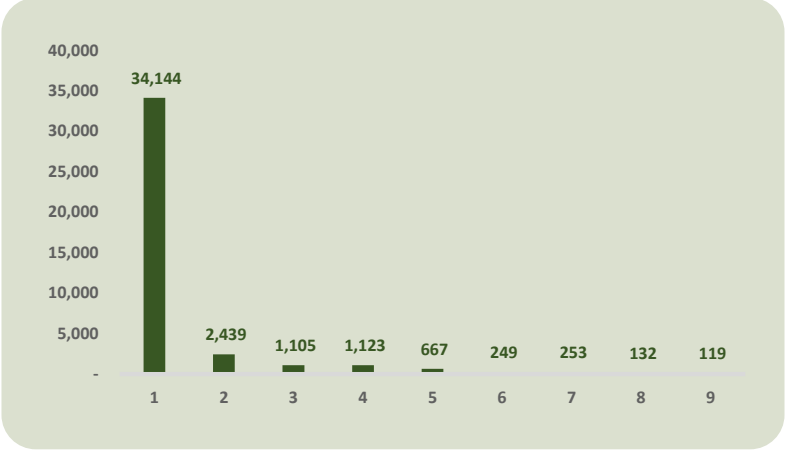


Source: Household Income and Expenditure Survey, 2019

2.10 Number of persons engaged

The number of persons engaged in an enterprise is one of the indicators to determine the size of the firm. Among the small enterprises, a total of 34,144 or approximately 85 percent have only one person engaged (self-employed), while 2,439 or 6 percent of the enterprises have 2 persons engaged in economic activity of the firm. Meanwhile 1,105 and 1,123 or 3 percent of the firms have 3 to 4 persons engaged, respectively, in the business activities of the firm. About 1.7 percent of the small businesses have 5 persons engaged meanwhile less than one percent of the small businesses have 6 to 9 persons engaged to carry out the economic activity.

Figure 15: Number of small enterprises by number of persons engaged

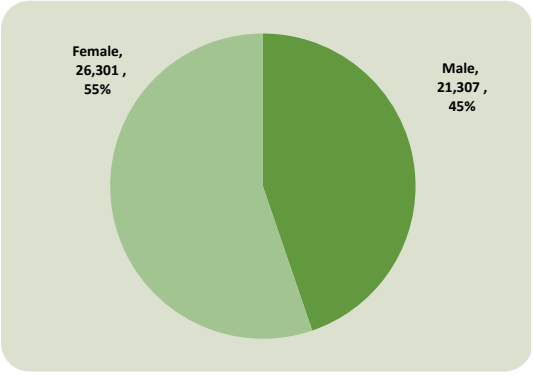


Source: Household Income and Expenditure Survey, 2019

2.11 Number of employees

The role of employment in the micro, small and medium enterprises as a key macroeconomic variable in promoting sustainable growth, alleviation of poverty and reduction of inequality is very significant. According to HIES 2019, the total employment is 181,144 in all the sectors of the economy including the formal and informal sector. In terms of provision of employment opportunities, the small enterprises play a vital role as the number of persons engaged in the economic activities carried out are 47,607 or 26 percent of the total employment. The employment opportunities provided by small enterprises are predominantly by males as 55 percent are males while females are 45 percent.

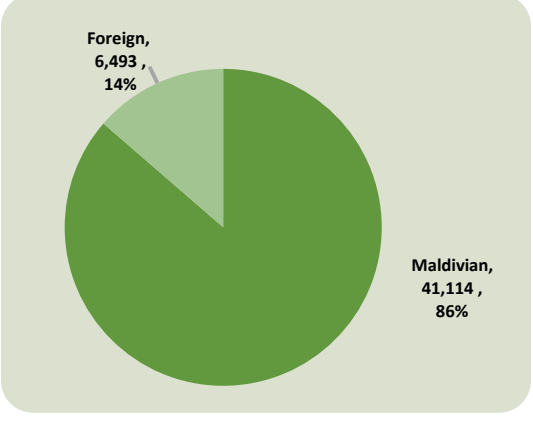
Figure 16: Employment by sex



Source: Household Income and Expenditure Survey, 2019

Unlike the large establishments which operate resorts and construction firms, the small enterprises provide employment opportunities mostly to Maldivians. Around 86 percent of the total persons engaged in the small enterprises are locals while the foreign employment represent at 14 percent. The main reason for higher Maldivian to expatriate ratio is because most of the small businesses do not have employees are owned and managed by the own account worker alone or together with family members. Coverage of foreigners in HIES is limited as it covered dwelling units, while most foreign workers live in labour quarters.

Figure 17: Employment by Nationality



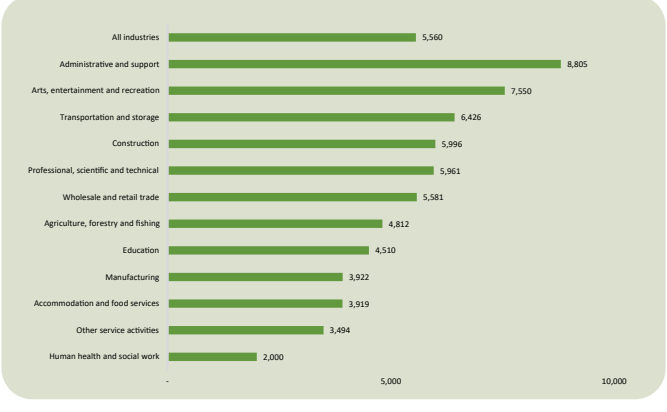
Source: Household Income and Expenditure Survey, 2019

2.12 Compensation of employees

Compensation of employees describes the return paid to employees in exchange for the services they provide in the form of cash or in-kind. It includes salary, wages, incentives and/or commission such as food, accommodation, uniform allowance, commodities given in kind etc. For this analysis, the small businesses in the mining and public administration industry have been excluded as they are outliers. Also those small businesses with no wages and salaries reported and own account workers even though salary have been reported have been excluded for this analysis.

Chart 18 shows monthly average compensation of employees paid per small business by industry. The analysis depicts that on average a small business spends MVR 17,066 per month as compensation of employees.

Figure 18: Monthly average compensation of employees paid per small business by industry

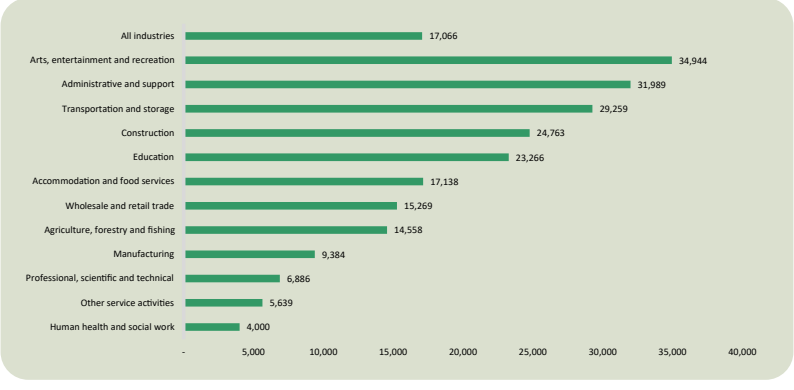


Source: Household Income and Expenditure Survey, 2019

Chart 19 shows monthly average compensation of employees of employees paid per employee by industry. The small businesses in the mining and public administration industry have been excluded for this analysis as they are outliers. Also those small businesses with employees reported but no wages and salaries reported and small businesses with salary reported but no employment reported have been excluded for this analysis. Although some own account workers have reported salaries and wages, but no employees reported as they do not have paid permanent employees, they have also been excluded.

The analysis depicts that on average a small business spends MVR 5,560 per month for each employee they have as compensation of employees. The monthly average compensation of employees paid per employee is highest for administrative and support services (MVR 8,805), followed by arts, entertainment and recreation services (MVR 7,550) and transportation and storage (MVR 6,426).

Chart 19: Monthly average compensation paid per employee by industry

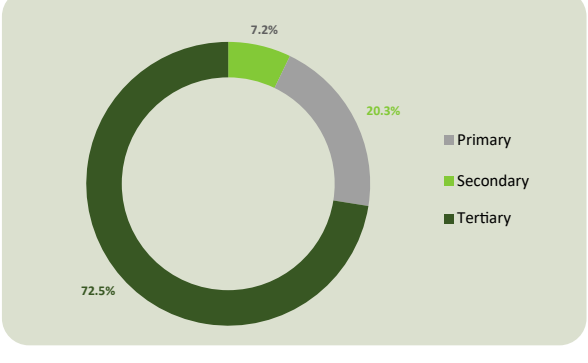


Source: Household Income and Expenditure Survey, 2019

2.13 Revenue

According to HIES 2019, total revenue generated by 31,360 small businesses per month is MVR 709,292,273. However due to unavailability of sufficient data to give ISIC codes, 68 small businesses have been excluded from this analysis. A total revenue of MVR 706,567,883 is reported by 31,292 small businesses. The chart 20 below shows that 7.2% of revenue is generated by primary industry, 20.3% by secondary industry and 72.5% by tertiary industry.

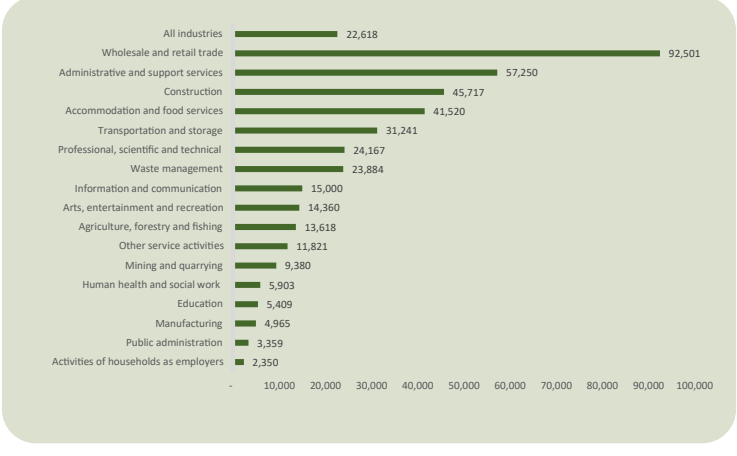
Figure 20: Percentage of revenue by type of industry



Source: Household Income and Expenditure Survey, 2019

As shown in Chart 21, on average a small enterprise earns a monthly revenue of MVR 22,618, while it ranges from as high as MVR 92,501 for the wholesale and retail trade industry and as low as MVR 2,350 activities of households as employers. The reason for higher monthly average revenue for the wholesale and retail trade industry is due to the higher margin they add to the cost of the goods sold. The small enterprises in this industry are very heterogeneous and are very integrated along the value chain with upstream manufacturers and downstream retailers. The type of goods they retail are sometimes very different from each other while some may engage in retail trade of general goods. They engage in retails sale of clothing, footwear, hardware, books, pharmaceuticals, food and beverages. Sometimes they also provide aftersales services as well. According to the survey, they add an average margin of 42 percent on top of the cost price of the goods to cover.

Figure 21: Monthly average revenue per small business by Industry



Source: Household Income and Expenditure Survey, 2019

In terms of the monthly average revenue administrative and support services are second highest with MVR 57,250. This industry includes rental and leasing of machinery, activities of employment agencies, travel agencies, security guards, pest control and cleaning. The reason for the increase in average monthly revenue of this industry is due to the high revenue of travel agencies are very high during 2019 as a result of the diversification and expansion of tourism industry.

The monthly average revenue of construction industry is the third highest among the small enterprises with MVR 45,717, although approximately 80 percent of them are own account workers.

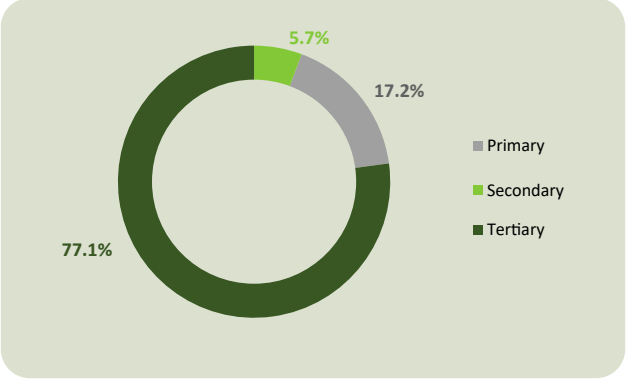
The lower monthly average revenue received by the activities of households as employers are because this in-

dustry comprises of services provided by baby-sitters, nannies and similar child care personnel, and also services provided by domestic servants such as cooks, laundresses etc., whereby they employ only on part-time basis and if full-time hired, is provided a lower monthly salary with compensation in kind such as accommodation, food and clothing which is difficult to value in monetary basis and therefore are not reported in the survey.

2.14 EXPENDITURE

According to HIES 2019, total expenditure of MVR 504,687,460 is reported by 31,292 small businesses. The chart 22 below shows that 5.7% of expenditure is spent by primary industry, 17.2% by secondary industry and 77.1% by tertiary industry.

Figure 22: Percentage of expenditure by type of industry



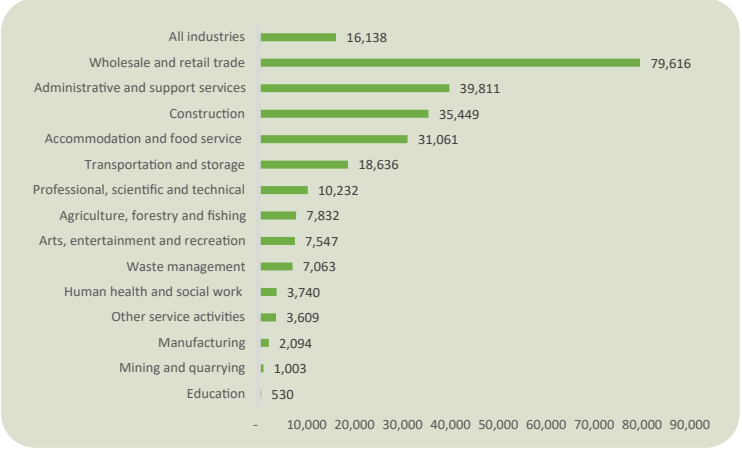
Source: Household Income and Expenditure Survey, 2019

Based on HIES 2019, on average a small enterprise incurs monthly cost of MVR 16,138, while it ranges from as high as MVR 79,616 for the wholesale and retail trade industry and as low as MVR 530 for the education services. The reason for higher monthly average expenditure of the wholesale and retail industry is because of the cost of the goods sold and rent paid. The lower monthly average expenses for education industry are due to the lower cost of materials used, while salaries and wages paid to the teachers and electricity expenses are most.

The chart 23 depicts that monthly average expenses is second highest for administrative and support services (MVR 39,811), followed by construction (MVR 35,449), and accommodation and food services (MVR 31,061). The monthly average expenses of the rest of the industries are significantly lower compared to these industries.

In contrast to the large enterprises engaged in the manufacturing industry, the monthly average expenses of the small enterprises operating in the industry is significantly lower as they are subsistence. For example, large fish manufacturers buy fish from local fishermen while small fish manufacturers engage is fishing activity. Thus, the cost of fish will be much lower.

Figure 23: Monthly average expenses per small business by Industry

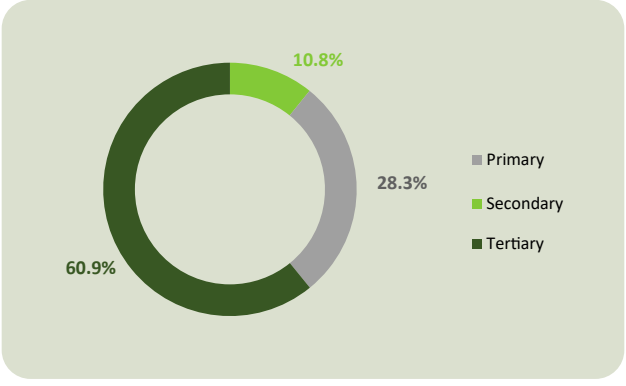


Source: Household Income and Expenditure Survey, 2019

2.15 PROFITABILITY

The small businesses in HIES 2019 reported a total profit of MVR 203,199,718, of which the ISIC coded 31,292 small businesses reported MVR 201,880,423. The chart 24 below shows that 10.8% of profit is generated by primary industry, 28.3% by secondary industry and 60.9% by tertiary industry.

Figure 24: Percentage of profitability by type of industry

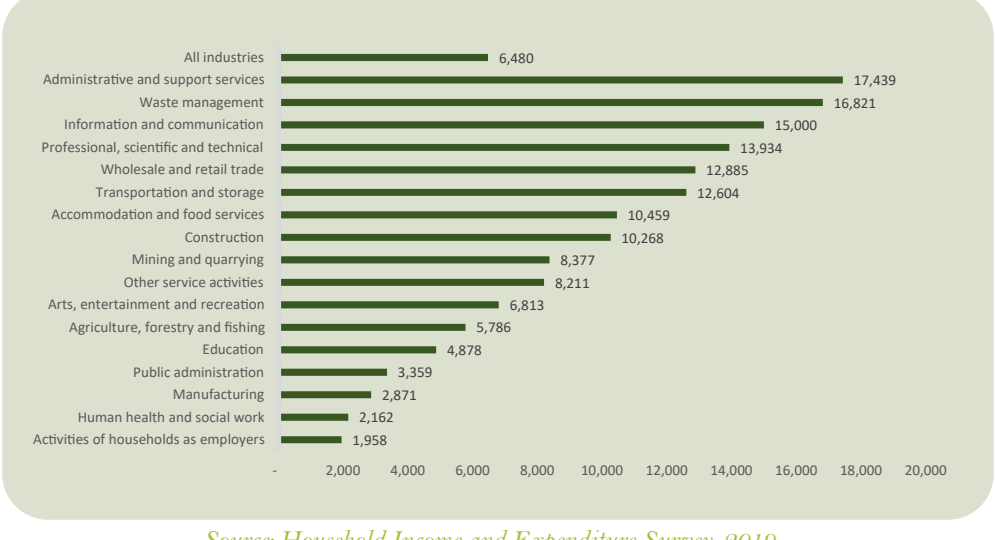


Source: Household Income and Expenditure Survey, 2019

Based on HIES 2019, small businesses generate an overall average monthly profit of MVR 6,480, while the it ranges from MVR 1,958 to MVR 17,439 depending on the industry. The chart 25 depicts that monthly average profit is highest for administrative and support services (MVR 17,439), followed by waste management services (MVR 16,821), and information and communication (MVR 15,000). The reason for higher profit for these industries are because of the lower operating expenses of these service industries.

One would expect a higher profitability ratio in the wholesale and retail trade industry die to the high margin of 42 percent, but despite the high margin, the profitability ratio is approximately 15 percent. This is due to the high transportation cost involved.

Figure 25: Monthly average profit per small business by Industry



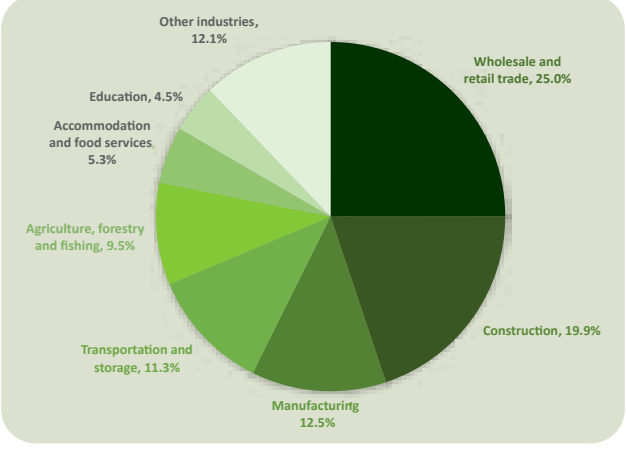
Source: Household Income and Expenditure Survey, 2019

2.16 Value Added

According to HIES 2019, small businesses generate a monthly value added of MVR 358,645,259. When this is annualized, MVR 4,303.74, is approximately 5.7 percent of 2019 Gross Value Added published by National Bureau of Statistics. Despite the small value added, it is important to note here that in terms of employment[2], small businesses provide more than a quarter of the employment reported in HIES 2019.

When compared with the total GDP by industry, the percentage share of value added by industry of small businesses are very different. For small businesses, the percentage share of value added is highest for wholesale and retail trade industry (25.0%), followed by construction (19.9%) and manufacturing (12.5%), respectively. Even though accommodation and food services accounts for more than one-fifth of GDP, the percentage share of value added of the industry by small businesses accounts for 5.3 percent only.

Figure 26: Percentage of Value Added by industry



Source: Household Income and Expenditure Survey, 2019

2 This excludes employment of the three atolls not enumerated in HIES 2019 and the resorts.

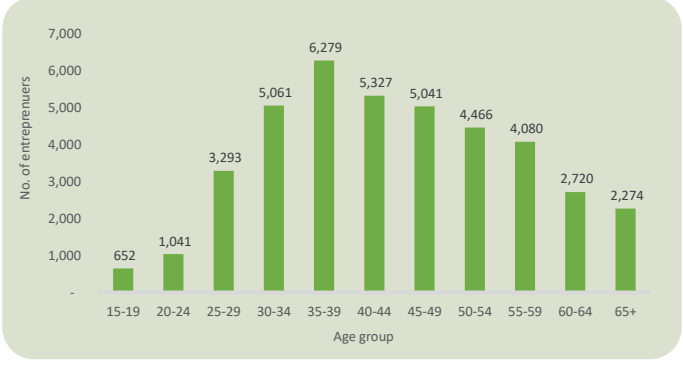
CHAPTER 3

CHAPTER 3 CHARACTERISTICS OF THE SMALL ENTREPRENEURS

3.1 AGE

Chart 27 shows the number of small entrepreneurs by 5-year band age group for 15 plus population. It can be seen clearly that at the age group 15-19, has the least number of small entrepreneurs and as the number increases gradually as the age group increases up to the age group of 35-39. This age group has the maximum number of small entrepreneurs of 6,279. From the age group 40-44 onwards the number of small entrepreneurs starts to decline with every 5-year age group. At the age group of 65+ the number of small entrepreneurs remain at 2,274.

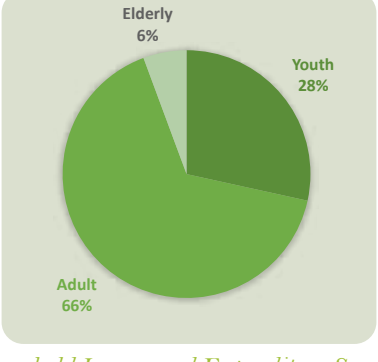
Figure 27: Number of small entreprenuers by age group



Source: Household Income and Expenditure Survey, 2019

Chart 28 shows a pie-chart of number of small entrepreneurs by broad age group. Broad age group is defined as; 15-35 as Youth, 36-65 as Adult and 65+ as Elderly. Of the 40,232 small entrepreneurs, 11,445 or 28 percent are youth, while 26,514 or two-third of are of adult and 2,274 or 6 percent belong to the elderly broad age group.

Figure 28: Percentage of entreprenuers by broad age-group



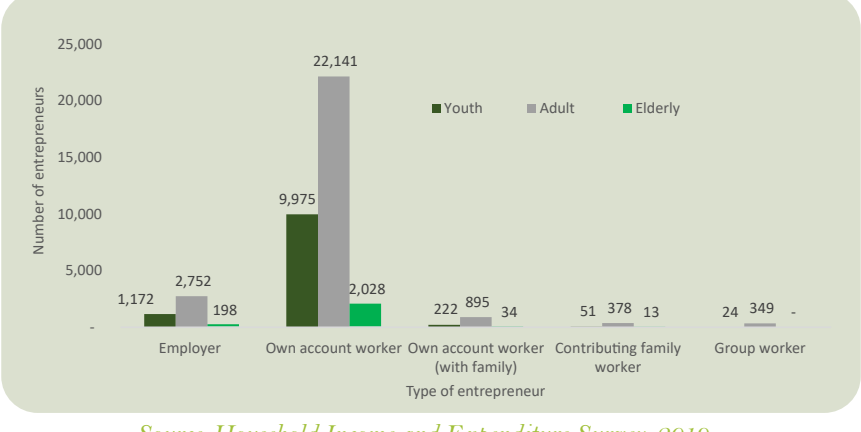
Source: Household Income and Expenditure Survey, 2019

It is depicted in Chart 29 that despite the broad age group of the entrepreneur, own account workers remain as the most populous type of ownership of the small enterprises. Among the youth, 1,172 or 10 percent are employers, 9,975 or 87 percent are self-employed own account workers and 222 or 2 percent are own account workers with family members assisting them in the day-to-day activities of the small enterprise operation.

Among the adult broad age-group; 2,752 or 10 percent are employers, 22,141 or 84 percent are self-employed own account workers, 895 or 3 percent are own account workers with family members, 378 or 1 percent are contributing family workers and 349 or 1 percent are group workers.

Among the elderly population; 198 or 9 percent are employers, 2,028 or 89 percent are self-employed own account workers, 34 are own account workers with family members and 13 are contributing family workers. It is also illustrated in the chart that no entrepreneur from the elderly broad age group work as a group worker.

Figure 29: Number of entrepreneurs by type and broad age group

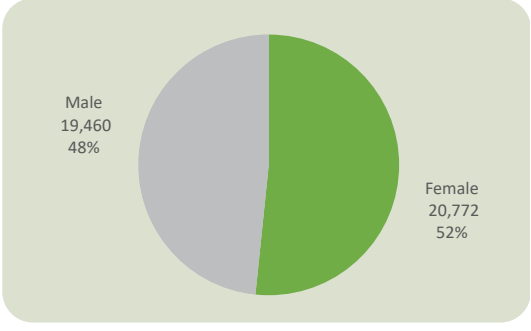


Source: Household Income and Expenditure Survey, 2019

3.2 SEX

In general, business ownership is defined as having 51 percent or more of the stock or equity in the business. The ownership of small business based on the sex of the entrepreneur is categorised in the below Chart 30. Approximately 20,772 small enterprises are owned by females while 19,460 of them are owned by males. A total of 34,144 or 85 percent of all small entrepreneurs are own account workers, of which 18,847 are females while males are 15,297. Predominantly females work as own account workers and contributing family workers are "self-employed jobs", they provide flexibility in terms of the number of hours of work, place of work with minimum capital requirement as shown in Chart 30.

Figure 30: Percentage of entrepreneurs by sex



Source: Household Income and Expenditure Survey, 2019

A total of 34,144 or 85 percent of all small entrepreneurs are own account workers, of which 18,847 are females while males are 15,297. Predominantly women work as own account workers and contributing family workers are "self-employed jobs", they provide flexibility in terms of the number of hours of work, place of work with minimum capital requirement as shown in Chart 31. However, males predominantly work as employers and group workers.

Figure 31: Number of entreperneurs by type and sex

Source: Household Income and Expenditure Survey, 2019

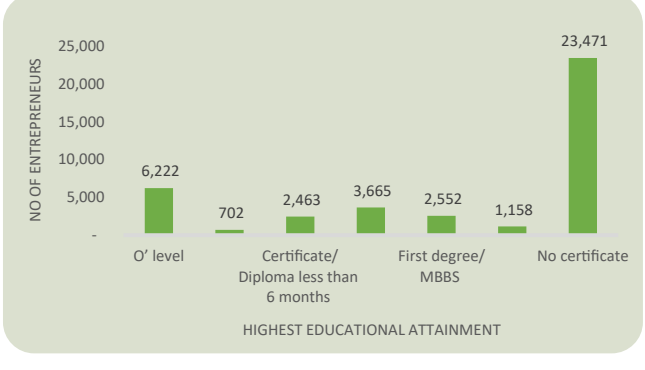
3.3 EDUCATIONAL ATTAINMENT

Educational attainment of the entrepreneur refers to the highest level of completed education on the basis of the followings: elementary school, high-school, Bachelor's degree, Master degree and Doctorate in Post Graduate Studies. However, in HIES 2019, data on educational attainment of entrepreneur is not taken if it is below O' level or completion of secondary school. Thus, the reason for having the greatest number of entrepreneurs with no certificate or zero–educational attainment is because completion of elementary school is not reported in the survey.

The Chart 32 below depicts that the number of entrepreneurs with no certificate accounts to 23,471 or 58 percent of the total. Approximately 15 percent of the entrepreneurs have completed O' level while only 2 percent has completed A' Level as their highest educational attainment. Technical/ vocational certificate / diploma is completed by approximately 15 percent of the total entrepreneurs.

According to the data, a total of 3,710 or 9 percent of entrepreneurs hold a Bachelors' Degree and above. One would assume that education provides the cognitive skill set for the entrepreneurs which is required for them to evaluate the market for business opportunities and gain self-confidence in investing finance by taking risks. The reason for lower entrepreneurship could be better paying job opportunities for the educated.

Figure 32: Educational attainment by the entrepreneur



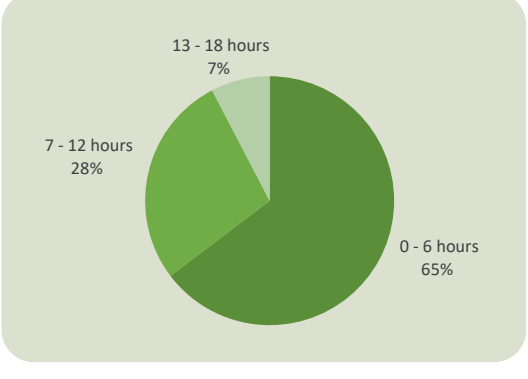
Source: Household Income and Expenditure Survey, 2019

3.4 Number of hours worked in the past week

The public sector in Maldives work 6 hours a day, 5 days a week, while the working hours in the private sector varies between 6-to-8 hours a day, either 5 or 6 days a week. However, the entrepreneurs find themselves working at odd times of the day, many times more than the standard 40 hours a week. This is more common in the case of small entrepreneurs as most of the cases they are the only one engaged in the economic activity, if at all a staff is hired, there is a limited number of staff due to lack of finance to hire them. They perform several distinguish tasks each day including sales and marketing activities, the search for financing, product development, accounts payable, accounts receivable and business development. They often find it difficult to balance between work and personal life.

The pie chart below summarises the data on the number of hours worked by the small entrepreneurs over the past week collected in HIES 2019. It shows that over 7 percent of the small entrepreneurs work for 13-to-18 hours a day. While 28 percent of small entrepreneurs report that they work between 7 to 12 hours a day during the past week, 65 per cent put in 6 hours or less. This means over a third are working more than the standard 6 hours a day each week. It is worth noting here that the higher proportion of small entrepreneurs does not mean that they work lesser number of hours a day. Of the small entrepreneurs, 22 percent are engaged in the business activity as a secondary activity. This means that the number of hours engaged in the small business reported here is in addition to their primary work.

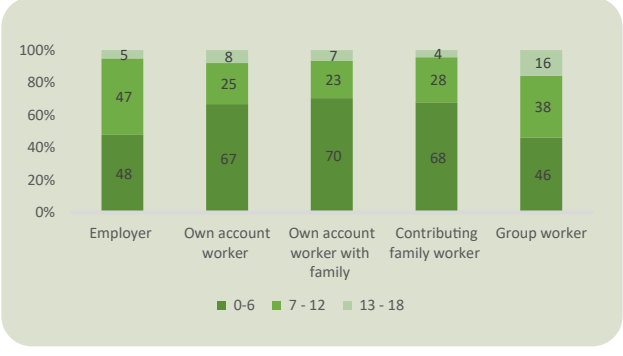
Figure 33: Percent of small enterpreneurs by no of hours worked in the past week



Source: Household Income and Expenditure Survey, 2019

As shown in the below chart 34, the percentage of group workers who worked for 13-to18 hours per day during last week accounted to 16 percent, while 38 percent of them reported that they worked for 7-to-12 hours per day per during last week and 46 percent reported of working 0-to-6 hours per day during past week. Among all the types of employment status, the proportion of employers tend to work 7-to-12 hours most.

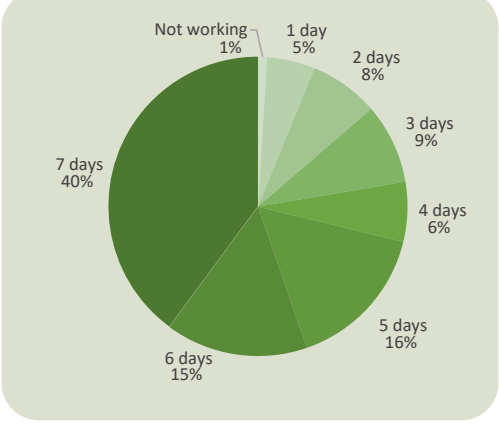
Figure 34: Percentage of small entrepreneurs by number of hours worked past week



Source: Household Income and Expenditure Survey, 2019

3.5 Number of days worked in the past week

Figure 35: Proportion of small entrepreneurs by no. of working days in the past week



Source: Household Income and Expenditure Survey, 2019

The number of week days in Maldives is 5, starting from Sunday to Thursday. Thus, the government sector works for 5 days a week while many firms in the private sector works for 6 days a week; that is all days except for Fridays. However, according to HIES 2019, based on the number of days worked by the small entrepreneurs in the past week, 40 percent of them work for 7 days a week.

Most small entrepreneurs need to work every day for the survival of the business as they are unable to hire more staff to do various tasks of the business. Approximately 45 percent of the entrepreneurs work for 5-day week or less, while 16 percent work for exactly 5-week days.

Conclusion

In its attempt at unfettered thinking, the analysis illuminated the key insights of the small enterprises and also it lays out the features of the small entrepreneurs.

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