PESTEL ANALYSIS OF MALDIVIAN AGRICULTURAL SYSTEM TO IMPROVE AGRICULTURAL MANAGEMENT

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Maldives is a chain of 26 coral atolls to India’s southwest, being one of the smallest countries in Asia and the Pacific by population and land area. A country with a population of 341,200 people are widely dispersed over 188 inhabited islands across an archipelago more than 800 kilometers long and 130 kilometers wide. The capital city, Malé, is home to one-third of the population, yet has a total land area of less than 2 square kilometers [1].

The Maldives whose economy solely depend on Tourism and Fishing has propelled itself to middle-income status despite the geographic constraints and usual challenges that a small island economy faces. In the last 5 years, economic growth has averaged 4.5% per year, mainly on account of tourism and fishing, but also supported by transport, communications, and construction [6, 9]. Continued growth, however, needs to be more inclusive and balanced. Agricultural sector being neglected and considered as the minimum contribution to the economic growth of the country is given less attention by the government and by the people of Maldives. The tourism sector dominates the Maldivian economy contributing 90% of the government tax revenue income from import duties and tourism related taxes [2].Though this is the case, farming has been and is prominent in the livelihoods of the rural population of Maldives. The agricultural small and medium sized enterprises (SMEs) play an important role in food and nutrition security, especially for those who are residing in the rural areas, creating job opportunities, economic growth and contributing to a stable social environment. According to Ministry of Fisheries and Agriculture (MoFA), 2018 report there are 8000 registered farmers and whereby the sector contributes, <5% to national GDP [1,3].

According to FAO 2018 report Maldives has the potential to attain self-sufficiency in selected field crops, if production efficiency were to be achieved. The present government of the Maldives have put tremendous amount of effort to develop agricultural sector of Maldives, in-terms of productivity and market expansion [1,4].

In this paper it is going to focus a framework called “PESTEL” analysis which is a tool used to monitor the macro-environmental factors that may have a profound impact on an organization’s performance [5].

PESTEL analysis is formed by six macro-environment group of factors: political factors, economic, social, technological factors, environmental factors and legal factors. The analysis further helps the managers to identify the future macroeconomic variables of interest in the construction of different scenarios to ensure the proper development and sustainability of business through the policy initiatives [5]. It involves an organization considering the external environment before starting a project and it ensures one has captured all potential risks and issues.

The PESTEL analysis will be done on the agricultural sector of the Maldives in two steps. That is, it will identify the PESTEL factors surrounding the agricultural business by reflecting on the external environment, through the available literatures such as government policy documents, newspaper articles, reports and information on government institute sites and then how these factors affect and will affect the business of the agricultural sector.

It is commendable that as a country that is described in its constitution Maldives as a “sovereign, independent, democratic state have positive introduced policy reforms and initiatives for the development the Maldives Agricultural Sector. However, it is noted that there are still constraints which impede the achievement of their goals. The analysis shows the legal and regulatory framework in relation to food security, land security and imported food products need to strengthen further to give a chance to local agricultural communities to fully utilize and benefit the policy initiatives taken by the government. The regulatory bodies need to strengthen links between farmers and consumer markets to ensure sustainable local food production and at the same time reduce dependency on food import.

Education, knowledge, training and skills are the foundation of any sector. The analysis shows that the lack of development in this area is adversely affecting the way how farming practices are carried which intern effect the productivity of farming as well as the future agricultural business practices. It shows that incorporating training, and consulting services which could be available to all the farmers throughout the year on farming practices, market practices and management of the small agriculture business enterprises would greatly reduce problems faced by the agricultural communities. It would further bring all the farmers from all over the Maldives to one plat form where all the farmers stay connected and contribute to the development of the sector by discussing and formulating ways to improve the productivity and the market of the local agricultural products.

Table 1. - Analysis of the Pestel Factors which affect the agricultural productivity and the development of agricultural sector business

Political	**Economic & Social**	T**echnological**	**Environment & Legal**
Unstable Political situation	*Fluctuating Inflation chronic budget deficit and public debt*	*lack of technical knowledge about modern method*	*Risk of greater drying and heavy rain fall*
No efficient transport system			*Ground water is scarce*
Difficulty in market access: middleman and wholesalers add additional cost	*Employment rate: High unemployment rate*	*Un-aware of modern way of combating farm related issues of farming*	*Less nutrient soil Leaching of soil*
Fragmented Land Act: Land rent is high.	**Social Factors**	*Resistance to adopt new*	
Agricultural Credit	*Aging farm operators*	*technologies due to high risks*	**Legal Factors**
Commercial bank loans less than 1%	*low entrance of young population to agriculture business*		*No agricultural or farming regulation No regulation to control the type of fertilizers and chemical imported to the country No regulation or control of imported cheap agricultural products from neighboring country.*
Insufficient credit flow	*Negative belief system*		
Taxation Policy and Subsidies	*No agricultural enterprise*		
Reduced 20% taxation from farm related imported goods: increased amount in imported cheap fertilizers	*Non-existent sectoral education on agriculture/rural development*		
Farm Safety Net	***Women***		
no crop insurance policy	*Difficulty to get access to financing*		
No law or policy which encourage farmers use innovative methods of farming and conserving natural resources	*Lack of basic agricultural knowledge Trend in increasing hiring cheap expatriates for farming*		
Negligence in quality monitoring limited human, technical and financial resources			

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