Three-Year Integrated Plan for Preparation of Regional Tourism Satellite Accounts for States and UTs

Study Commissioned by Ministry of Tourism, Government of India

February 2017
EXECUTIVE SUMMARY

THREE-YEAR INTEGRATED PLAN FOR PREPARATION OF REGIONAL TOURISM SATELLITE ACCOUNTS FOR STATES AND UTs

Tourism Satellite Account (TSA) is an accounting procedure designed to measure goods and services associated with tourism. The TSA provides a framework for policy analysis of issues related to tourism economics as well as for model building, tourism growth analysis, and productivity measurement. It focuses on the economic dimension of tourism trips, mostly through expenditure by visitors or by others for their benefit. Broadly speaking, it plays two roles. Firstly, it identifies the typical tourism industries, that is, industries that produce commodities which represent a significant part of the tourism demand. Secondly, TSA measures the value added, employment, and capital formation flowing from that demand and identifies the visitors.

TSA comprises a set of tables and is mainly descriptive in nature. It provides accounts and tables and macroeconomic aggregates, with the principal among them being the gross value added of tourism industry (GVATI), tourism direct gross value added (TDGVA), and tourism direct gross domestic product (TDGDP).

Both India’s first and second TSAs, for the years 2002-03 and 2009-10, were prepared by the National Council of Applied Economic Research (NCAER). During preparation of the second TSA, pilot reports were prepared for two states—Kerala and Madhya Pradesh. These reports were very well received and eventually other states also showed interest in the preparation of their TSAs. Owing to this response, the Ministry of Tourism commissioned a 3-year integrated study to NCAER, which entailed the preparation of TSAs for all the remaining states/UTs of India, including 10 in each of the first two years and the remaining 13 in the third year; and two research papers in each year. Despite a few data constraints, state-level TSAs for all the 35 states and UTs have been prepared and the reports, one for each state/UT, have been submitted to the Ministry. Notably, India is now one among a handful of countries which have prepared TSAs at the sub-national level.

The regional or sub-national TSAs are the re-adapted versions of national accounts to sub-national level. Following are the main reasons as to why TSAs should be prepared at the state level:

1 A visitor is a tourist who makes trips within a state or outside it. It can be a social trip to visit friends and relatives, or for other purposes such as leisure, business, religion, health, etc.
These are required in order to allocate and monitor resources more efficiently. There is a growing interest among tourism-related businesses in learning about the inter-relation of their activity with others and its main determinants and seasonal cycles. There is also a great need for improving the allocation of resources in national and local economies, which can be achieved only by upgrading quantitative references and measuring economic impacts. Tourism activities are multi-faceted in nature and can potentially benefit rural areas that are seeking to diversify. These accounts are also compatible with other international accounting practices and hence the results are comparable. They provide important information on the needs of the tourism business. Policies can be designed by taking in view the employment profile and need for capital expenditure required for bridging any investment gap. Therefore, TSAs provide useful indicators to regional tourism enterprises and organisations for identifying possible business opportunities and to state government tourism departments for formulating relevant tourism policies.

Following is the phase-wise break-up of the 33 different states for which NCAER prepared state-level TSAs during the course of the 3-year integrated study:

I. Phase I (2013-14)
   1. Andhra Pradesh
   2. Bihar
   3. Gujarat
   4. Jammu & Kashmir
   5. Punjab
   6. Rajasthan
   7. Sikkim
   8. Tripura
   9. Tamil Nadu
   10. West Bengal

II. Phase II (2014-15)

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2 It is an accounting procedure designed to measure goods and services associated with tourism activity undertaken within the boundary of a region. It helps in assessing the size and contribution of tourism to the region.

3 For the preparation of a national TSA, 10 tables and their methodology have been recommended by UNWTO, in order to enable international comparison. However, for a regional TSA, no recommendations have been made by UNWTO, though it recognises the importance of developing regional TSAs.
Executive Summary, Regional Tourism Satellite Accounts for States & UTs 2009-10

11. Arunachal Pradesh
12. Assam
13. Goa
14. Himachal Pradesh
15. Jharkhand
16. Karnataka
17. Maharashtra
18. Odisha
19. Puducherry
20. Uttar Pradesh

III. Phase III (2015-16)

21. Andaman & Nicobar Islands
22. Chandigarh
23. Chhattisgarh
24. Dadra & Nagar Haveli
25. Daman & Diu
26. Delhi
27. Haryana
28. Lakshadweep
29. Manipur
30. Meghalaya
31. Mizoram
32. Nagaland
33. Uttarakhand

Besides, a total of six research papers have been prepared during the three phases of the study. Details of these are as follows:

I. Phase I (2013-14)

(i) Profile of tourists undertaking trips for meetings, incentives, conferences and exhibitions (MICE) and contribution of the MICE industry to the national economy (based on data pertaining to domestic tourism and International Passenger Survey)
(ii) Study of motivational factors for visiting India amongst the tourists of different countries (based on data from the of International Passenger Survey).

II. Phase II (2014-15)

(iii) How households from different socio-economic backgrounds spend on tourism—A comparative study based on the Domestic Tourism Survey, 2008-09
(iv) State-wise comparison of characteristics of domestic trips in India—A study based on the Domestic Tourism Survey, 2008-09.

III. Phase III (2015-16)

(v) Analysing arrival patterns of Non-Resident Indians (NRIs)
(vi) Analysing the impact of arrivals of NRIs on the households.

The following table presents the key results of the study, that is, the contribution of the tourism sector to the respective state’s Gross Value Added (GVA) and employment. The TSA provides estimates of both direct as well as indirect contribution of tourism, which are separately presented in the table:
## State-wise contribution of Tourism to the Economy

<table>
<thead>
<tr>
<th>S. No.</th>
<th>States</th>
<th>Gross Value added (GVA) at basic prices (Rs. Lakh)</th>
<th>Tourism Direct Gross Value Added (TDGVA) at Rs. Lakh</th>
<th>Share of TDGVA in GVA</th>
<th>State Employment (in lakh numbers)</th>
<th>Share of Tourism Employment to Total State Employment</th>
<th>Tourism Labour Productivity (in Rs.)</th>
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<tbody>
<tr>
<td>1</td>
<td>A &amp; N Islands</td>
<td>4,18,325</td>
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</table>

The six research reports contain a comprehensive analysis of some of the key dimensions of tourism activity in India. Some of the key findings of these analyses are delineated below.
RESEARCH REPORT 1: Profile of tourists undertaking trips for MICE tourism and contribution of the MICE industry to the national economy (based on data pertaining to domestic tourism and the International Passenger Survey)

- The estimated number of international MICE tourists is 11.49 lakh.
- Of the total inbound tourists, 68.7 per cent were foreign nationals but this proportion is much higher at 87.6 per cent in the case of MICE tourists. Hence, most of the MICE tourists arriving in India are foreign nationals other than Persons of Indian Origin (PIOs).
- The share of MICE tourism in total inbound tourism is about 17 per cent. However, the expenditure incurred by MICE tourists is just 2.7 per cent of the total inbound tourism expenditure.
- This table indicates that the maximum number of MICE tourists (19.9 per cent) come from the USA, followed by the UK at 12 per cent.
- The share of expenses incurred on accommodation is 94.5 per cent of the total expenditure. About 3 per cent of this is spent on travel agencies and other supporting transport activities. Only 1.4 per cent of the total expenditure is incurred on products or shopping goods connected to tourism.
- While the Domestic Tourism Survey did not capture the information on MICE tourism separately, we have estimated both the domestic as well outbound MICE tourism using some assumptions.
- The share of MICE tourism expenditure in the total tourism expenditure is 3.26 per cent.
- The estimated direct share of MICE tourism in the overall GDP works out to be 0.12 per cent and the direct plus indirect share is estimated at 0.22 per cent.

RESEARCH REPORT 2: Study of motivational factors for visiting India amongst tourists of different countries (based on data from the International Passenger Survey):

- The tourists were asked to rank the motivational factors on a scale of 1 to 5. For facilitating better analysis, we have derived the composite index of importance of these motivational factors.
Among all the motivational factors, “monuments, forts, palaces and museums” constituted the most motivational factor for tourists visiting India, across all types of tourists.

The overall composite value for “monuments, forts, palaces and museums” among tourists in the age group of 18-24 years is 3.95 (out of 5). Across the types of tourists, the highest value was observed in the case of NRIs (4.62) and the lowest among PIOs (3.37).

Across all the age groups, the highest composite value (4.90) for “monuments, forts, palaces and museums” was observed among NRIs aged above 65 years. The lowest value was given by NRIs in the age group of 25-34 years.

With respect to “hill stations, mountains, beaches, and scenic places”, the highest value of importance was observed in the case of PIOs in the age group of 25-34 years (4.75) and the lowest was observed in the case of PIOs in the age group of 55-64 years (2.32).

“Religious places” comprised the most important motivational factor for PIOs aged above 65 years. This motivational factor was also given high importance by other foreigners in this age group but NRIs found it the least driving factor for visiting India.

“Medical treatment, yoga, meditation and spiritual healing” constituted the most important motivational factor for other foreigners aged above 65 years. There were no responses for this factor by NRIs aged above 65 years and PIOs aged 18-24 years. By and large, NRIs across all age groups except those aged 45-54 years identified this factor as less important than others.

**Research Report 3:** How households of different socio-economic backgrounds spend on tourism—a comparative study based on the Domestic Tourism Survey, 2008-09

The head “recreation, religious and others” accounts for the most important tourism expenditure in the case of Hinduism, Islam, Christianity, Sikhism and
Buddhism in India. On the other hand, the head “passenger transport services” comprises the most important tourism expenditure for Jainism and Zoroastrianism in India.

- The head, “recreation, religious and others” also accounts for the most important tourism expenditure for Scheduled Castes (SCs), Other Backward Classes (OBCs) and Others in India. On the other hand, the most important head for tourism expenditure among the Scheduled Tribes (STs) in India is ‘shopping’.
- The head, “recreation, religious and others” is also the most important in terms of tourism expenditure incurred by male and female tourists in India.
- The maximum amount of tourism expenditure in India (18.2 per cent of the total) is contributed by the “not literate” category amongst all the other educational levels.
- The head, “recreation, religious and others” also accounts for the most important tourism expenditure incurred by those in the age groups of 21-40 years, 41-60 years, and above 61 years in India.
- Passenger transport services constitute the most important head for tourism expenditure incurred by tourists in the age group of 0-20 years in India.

**Research Report 4:** State-wise comparison of characteristics of domestic trips in India—A study based on the Domestic Tourism Survey, 2008-09

- An average Indian household undertakes four trips during a year.
- The highest incidence of trips, that is, 836 trips per 100 households, is seen in Jammu & Kashmir. This is followed by 769 trips per 100 households in Himachal Pradesh.
- Leisure or holiday is among the least popular purposes of domestic overnight trips across all the states. The highest share of leisure trips, at 6.7 per cent of the total trips, is seen in Delhi.
- In all the destination states, except Daman & Diu, social trips account for the highest proportion among the total trips undertaken. Daman & Diu is popular
more for leisure trips, with 41 per cent of the total trips undertaken here being for leisure.

- The states where a significant proportion of trips are religious trips include Uttarakhand, Himachal Pradesh, Jammu & Kashmir, Karnataka and Tamil Nadu.

- West Bengal, as a destination state, accounts for the largest proportion of leisure trips undertaken in India. This is mostly because of the arrival of intra-state leisure tourists in the state. This is followed by Tamil Nadu, Andhra Pradesh and Maharashtra as popular destination for leisure trips.

- In terms of the incidence of crossing of state boundaries for business trips, Maharashtra and Delhi are the most popular destination states.

- Tamil Nadu is the most sought-after destination state among domestic leisure tourists.

- The longest trip duration is seen in Lakshadweep, where, on an average, domestic tourists prefer to spend about 5.4 nights.

- The least number of nights in any trip are spent in Manipur and Daman & Diu (2.2 nights).

- In as many as eight destination states, the month in which domestic tourists spent the maximum number of nights is June.

- The months of February and March comprise the lean season in the case of six and nine states, respectively, which can be attributed to the fact that these are the months when school-going children sit for examinations.

- Out of the total of 35 states and UTs, for as many as 33 states, the maximum expenditure among all items of expenditure during a leisure trip is incurred on passenger transport services.

**Research Report 5:** Analysing the arrival patterns of Non-Resident Indians (NRIs)—A study based on data from the International Passenger Survey

- It has been found that 71.4 per cent of the total NRIs visiting India belong to Asian countries. A significant proportion of the NRIs (21.5 per cent) belong to North America.
Only about a quarter of the total NRIs visiting India are women. Among the overall international tourists visiting India, on the other hand, about one-third are women.

About 31.7 per cent of the NRIs visiting India are in the age group of 35-44 years. As compared to this, the proportion of non-NRI in the age groups of 25-34 years and 35-44 years visiting India is about 30 per cent.

About 87 per cent of the NRIs and 81 per cent of the non-NRIs visiting India are graduates or have higher educational qualifications.

Most of the NRIs visiting India are Hindus whereas most of the non-NRIs visiting India are Christians.

Self-employed professionals constitute the biggest chunk of the NRIs and non-NRIs visiting India.

The chances of foreigners visiting India increases with an increase in the number of earning members in their families.

About 39 per cent of the NRIs and 32.8 per cent of the non-NRIs exited India from the Delhi airport.

The total trip duration of most of the NRIs (35 per cent) visiting India is 11-20 days. Among the non-NRIs, the trip duration of most of the non-NRIs visiting India is 11-20 days and 4-7 days (26.5 and 25 per cent respectively).

About 57.3 per cent of the NRIs made only one trip to India in the last one year preceding their current trip. As compared to the NRIs, a higher proportion of non-NRIs (71 per cent) made only one trip to India in the past one year.

The highest share among the total NRIs visiting India is of NRIs who come to India for a social purpose (41.2 per cent), followed by those who visit India for leisure (37.3 per cent). Most of the non-NRIs visit India for leisure (36.7 per cent) followed by those who come for business purposes (28.8 per cent).

When NRIs come to India, they spend the most (48.8 per cent) on shopping items or products connected with tourism, including garments, processed food, tobacco, beverages, travel- related consumer goods, and toiletries, among other
things. In contrast, accommodation is the biggest item of expenditure for non-NRIs, who incur 37.3 per cent of their total expenditure on hotels.

- The overall per-tourist per-day expenditure incurred by NRIs is Rs. 6201, of which Rs. 3024 is incurred on products connected to tourism. The overall per-tourist per-day expenditure incurred by non-NRIs is higher at Rs. 7845.
- The most preferred type of accommodation among NRIs is staying at the homes of friends/relatives. Among non-NRIs, on the other hand, 68.7 per cent prefer to stay in hotels.

**Research Report 6: Analysing the impact of arrivals of NRIs on the households (study based on the Domestic Tourism Survey):**

- At the all-India level, 39.2 lakh households (or 1.75 per cent of all tourist households) were visited by any NRI during the 365 days prior to the survey date.
- Kerala tops the states in terms of NRI visits with as many as 25.4 per cent of the total households in the state having been visited by any NRI.
- The households primarily engaged in agriculture and allied activities were the least visited by the NRIs.
- The highest share in all NRI households is shown by Hindu households (57.3 per cent), followed by Muslim (25.7 per cent) and Christian households (12.7 per cent).
- The share of Hindu households in all NRI households is 57.3 per cent whereas the share of Hindus in all Indian households is as high as 83.4 per cent. This indicates that the share of Hindus in NRI households is much less than their share in all households.
- Amongst all the social groups, the highest proportion of households (2.4 per cent) visited by any NRI during the last 365 days were those belonging to the upper castes.
A comparison of all the MPCE quintiles shows that the highest proportion of households (4.4 per cent) visited by any NRI during the last 365 days were those belonging to the 5th (top) quintile.

At the all-India level, the average number of overnight trips stood at 5.7 and 4.2 for NRI and non-NRI households, respectively.

The average expenditure per overnight trip was recorded to be the highest for NRI households in the Andaman & Nicobar Islands (Rs. 34,318), followed by Himachal Pradesh (Rs. 3261), Delhi (Rs. 3136) and Uttarakhand (Rs. 3037).

On an average, NRI households undertake more trips (both same-day and overnight) than their non-NRI counterparts.
Disclaimer: The findings, interpretations, and conclusions expressed are those of the authors and do not necessarily reflect the views of the Governing Body or Management of NCAER.