INTERVIEW SERIES:

Dialogues and Discussions

TOURISM—THE NEXT SUNRISE INDUSTRY FOR THE INDIAN ECONOMY

IN CONVERSATION WITH:
POONAM MUNJAL

Anupma Mehta | May 9, 2023

Our second interview in the series features Dr Poonam Munjal, who is a Professor at NCAER. She has worked on a wide variety of studies at the institution, including the N-SIPI Investment Index, national and regional Tourism Satellite Accounts, impact of investment in the housing sector, and a number of research studies based on input-output models. Her research work has spanned macro-economic analysis, the tourism economy, the social accounting matrix, inter-industry linkages, labour market analysis, and analyses of large sample surveys for drawing socio-economic linkages.

In this interview, the NCAER Editor, Anupma Mehta (AM) focuses on the expertise of Dr Poonam Munjal (PM) in the area of tourism research, especially in the context of the rising importance of the tourism sector in the Indian economy in the foreseeable future. The interview also highlights the role of NCAER's diverse Satellite Accounts in fostering the growth of various sectors of the economy, as well as the use of other statistically significant tools such as Input-Output Models in promoting economic development at both the national and State levels.

AM: During your tenure at NCAER, one of the highlights of your research has been work on diverse satellite accounts for different sectors, such as education, tourism, and health, both at the all-India level as well as for different States, including Himachal Pradesh and Uttarakhand. Broadly, satellite accounts are powerful and incisive tools for assessing the economics of the particular sector and for measuring its impact on employment and GDP across the nation. NCAER also has the distinction of being a pioneer in the creation of tourism accounts, whereby it prepared three Tourism Satellite Accounts (TSAs) for the Ministry of Tourism for the years 2002-03, 2009-10, and 2015-16. Could you please throw some light on the usefulness of TSAs?

PM: Tourism Satellite Account (TSA) is a framework to estimate the contribution of tourism to the economy, with respect to its GDP and employment. This framework was developed by the United Nations World Tourism Organization (UNWTO) and is recommended to be adopted by countries so that the estimates are internationally comparable. The need to develop such a tool arises because tourism is not identified as a separate sector in the National Accounts but its components are embedded within other identified sectors, like "Hotels and Restaurants"; "Transport services"; "Other services", etc.

Tourism Satellite Accounts analyse tourism from an economic point of view and fill the gap relating to its role in the economy. Besides, the TSA tables and accounts are internationally comparable.

The purpose of preparing TSA is to extract the tourism-related components from these sectors, get an estimate of its GVA, and the contribution of Tourism GVA to the total GVA of the country.

AM: The Government of India has been laying special emphasis on the promotion of tourism, with Prime Minister Narendra Modi too highlighting his government's commitment to holistic development of the sector. In addition, the 2023 Budget has outlined a roadmap for developing 50 tourism destinations across the country. In this context, what role do you envisage NCAER's research on tourism, especially the TSAs, can play in furthering the government's agenda for the tourism industry?

The State-level TSAs quantify the role of tourism in the respective State's economy, thereby providing inputs to the States for further development of tourism in their respective domains.

PM: NCAER has prepared TSAs at both the national as well as sub-national levels. The sub-national or State-level TSAs quantify the role of tourism in the respective State's economy, thereby providing inputs to the States for further development of tourism in their respective domains. The TSAs also present the relative importance of domestic (intra-State movement), inbound (inter-State and overseas movement) and outbound tourism (out-of-country movement) in each State, by leading purposes of travel. All this information represents important inputs for the government and other stakeholders, enabling them to strengthen their efforts on tourism development by targeting the types of tourists and purposes of travel that are relevant for the States.

AM: Tourism, along with travel, is one of the largest service industries in India. According to estimates from India's Third TSA prepared by NCAER, tourism exclusively generated Gross Value Added worth $70 billion and supported nearly 34.83 million jobs in India in 2019-20. However, being one of the most contact-intensive and socially active sectors, tourism was also among the hardest hit by the COVID-19 pandemic, with the lockdowns and curtailment of travel through most of 2020 and the first half of 2021 wreaking havoc on the industry. Thereafter, NCAER reportedly conducted a study to measure the overarching impact of the pandemic on the tourism sector in terms of loss of income and employment both overall in the sector as well as in individual households. Could you throw some light on this study and its findings also with respect to the roadmap for recovery of the sector and how it can regain pre-pandemic levels of growth?

PM: This study was proposed by NCAER during the lockdown period and was quickly accepted by the Ministry of Tourism (https://www.ncaer.org/publication/india-and-the-coronavirus-pandemic-economic-losses-for-households-engaged-in-tourism-and-policies-for-recovery) . The study aimed to estimate the impact of the pandemic and the resulting lockdowns and travel restrictions on the tourism economy. It also aimed to make projections and estimate the number of years it is likely to take to reach

The NCAER study estimated the impact of different waves of the pandemic on the tourism economy. It also made projections on when is the tourism expenditure likely to reach its pre-pandemic levels.

the pre-pandemic levels of tourist arrivals and tourism expenditure, under optimistic, most-likely, and pessimistic scenarios. The study estimated the loss to the tourism economy as a result of fall in the economic activities among its supplying industries as well as fall in the number of tourist arrivals, during the pandemic period.

The study also proposed some recommendations with respect to, as you say, the roadmap for the recovery of the sector. The most important of these was to give a boost to domestic tourism, the absence of which leads to a much more severe impact on the overall tourism economy vis-à-vis that of inbound tourism.

Later, the Ministry of Tourism requested NCAER to estimate the impact of the second and third waves of the pandemic too, as Phase II of the study. Our revised projections reveal that we are most likely to have reached the pre-pandemic levels of tourism expenditures in 2022-23 itself, on the back of robust domestic tourism. We will be able to validate this after the release of the pre-requisite data on detailed GDP statements and on domestic and inbound tourist arrivals.

AM: You also recently represented India at a G20 webinar organised by UNESCO and the Ministry of Culture, where the discussion focused on how NCAER's experience in the production of various satellite accounts can be used in the preparation of India's first Cultural Satellite Account. Could you take us through the salient points emerging from this discussion, and also briefly describe how satellite accounts can estimate the economic contribution of culture, both direct and indirect?

PM: In the framework of the G20 Culture Working Group under the Indian Presidency, the Ministry of Culture, along with its knowledge partner, the UNESCO, organised a series of four Thematic Webinars covering the four priority areas of focus. These priority areas are Protection and Restitution of Cultural Property; Harnessing Living Heritage for a Sustainable Future; Promotion of Cultural and Creative Industries and Creative Economy; and Leveraging Digital Technologies for the Protection and Promotion of Culture. The webinars were attended by representatives and designated experts of all G20 member countries, guest countries, and invited international organisations.

It was the third priority area, that is, Promotion of Cultural and Creative Industries and Creative Economy, for which I was invited as an expert from India and called upon to speak on how the contribution of culture to GDP can be measured through the preparation of a Cultural Satellite Account (CSA). Some of the European and Latin American countries prepare CSAs on a regular basis. India, despite being known for its

India, despite being known for its rich culture and heritage, is yet to quantify the economic contribution of its cultural and creative industries in a systematic way, following international standards.

rich culture and heritage, is yet to quantify the economic contribution of its cultural and creative industries in a systematic way, following international standards. The importance of culture is evident in the fact that it has been declared as a "global public good"; it drew attention in the 2021 Rome Declaration of G20 Ministers; and in 2022, at the UNESCO World Conference on Cultural Policies and Sustainable Development. Going forward, we hope to work with the Ministry of Culture to prepare India's first Cultural Satellite Account.

AM: Broadly, the Input-Output Transactions Table (IOTT) is a matrix representation of the economy of a nation and is used to analyse how the output of one industry can be used as an input for one or more other industries. In this way, each industry is ostensibly both a user and a supplier, and all industries function as mutually inter-dependent units. How far do you think is this an apt assessment of the use and function of the IOTT? Could you also delineate some of the key industries where NCAER studies on the Supply-Use Tables have played a seminal role in charting the growth and development of the respective industries?

PM: As you rightly mentioned, IOTT is a matrix representation of the economy and while capturing all the monetary transactions of the economy, it presents a detailed analysis of the process of production and the use of goods and services (products) and the income generated in that production. The credit for the development of this analysis goes to Wassily Leontief, who won the Nobel Prize in Economics for his work in this area.

The main objective of preparing an IOTT is to reconcile the components of all three measures of Gross Domestic Product (GDP), following the income approach, production approach, and expenditure approach. Besides, they are powerful tools to carry out the economic impact analysis through the generation of multipliers, like output, income, and employment multipliers at the industry level.

> *NCAER has done several studies on Input-Output Transactions Tables and models based on these. We have recently prepared state-level IOTT for HP based on international standards and methodology.*

NCAER has done several studies on the IO tables and IO-based models to assess the economic impact of a sector on the overall economy. Some of these include the "Impact of Investment in the Housing Sector on Overall GDP and Employment", done in 2014 for the Ministry of Housing and Urban Poverty Alleviation; "The Economic Impact of Kempegowda International Airport, Bengaluru (KIAB) on state and regional economy", done in 2021 for the Bangalore International Airport Limited (BIAL); "Tourism Satellite Accounts", various rounds, for the Ministry of Tourism. Recently, we have prepared the sub-national IOTT for the state of Himachal Pradesh and are now preparing one for Assam, both based on the internationally recognised approach of preparing the pre-requisite Supply and Use Tables and transforming these into IOTT.

AM: NCAER has undertaken extensive work on the quantification of logistics costs for various industries. Based on this research, NCAER has recently been nominated as a member, along with academic experts and stakeholders from NITI Aayog and the Ministry of Statistics and Programme Implementation, of a proposed Task Force for formulating a Logistics Cost framework. You, along with your colleague, Professor Sanjib Pohit, will be representing NCAER in the Committee. Would you care to elaborate on the role of the Committee in streamlining the analysis and implementation of recommendations on logistics costs, and how the NCAER study can contribute in taking forward the mandate of the Committee?

PM: Professor Sanjib Pohit carried out a comprehensive study to estimate the total cost of logistics in the Indian economy, in 2017. Post that, there have been phenomenal investments by the government in infrastructure development, particularly through several initiatives such as Bharatmala, Sagarmala, Dedicated Freight Corridor (DFC), and the revolutionary PM GatiShakti Initiative. All of these are bound to bring down India's logistics costs substantially.

The members of the Task Force constituted by DPIIT include representatives from NITI Aayog, the Ministry of Statistics and Programme Implementation, NCAER, international academic experts, and other stakeholders.

Therefore, the Task Force has been established to estimate the current value of Logistics Cost to GDP Ratio, and formulate the Logistics Cost Framework to monitor this value on a regular basis. This framework is also expected to identify the pain points and take remedial actions in order to cut logistics costs and thereby boost the competitiveness of the industry. The members of Task Force include representatives from NITI Aayog, the Ministry of Statistics and Programme Implementation, NCAER, international academic experts, and other stakeholders. NCAER, being the producer of the previous estimate and with its established expertise in such studies, is actively contributing to the objectives of the Task Force.

Views are personal.