



Impact of COVID-19 Pandemic on Growth Rate of Himachal Pradesh Economy

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Abstract: The most important and fastest growing sector of the Indian economy are services trade, hotels, transport, communication, financing, insurance, real estate, business services, community, social and personal services account for more than 60.00 per cent of GDP. Agriculture, forestry and fishing constitute around 12.00 per cent of the output, but only 50.00 per cent of the employs are engaged this sector. Manufacturing accounts for 15.00 per cent of GDP, construction for another 8.00 per cent and mining, quarrying, electricity, gas and water supply are account for the remaining 5.00 per cent. During the year 2020-21 Indian economy expanded at a record 20.10 per cent slightly higher than the market forecasts were 20.00 per cent, amid a low base effect from last year and despite a second wave of covid-19, infections and localized lockdowns. It compares with a record 24.40 per cent slump a year earlier when the corona virus crisis hit the economies hard. During the corona virus pandemic the growth rate of the sectors like that trade, hotels, transport, communication, insurance and agriculture has come down to 4.3 per cent is compared to the last year growth rate. On the other hand the output of construction, manufacture and trade, hotels, transport, communication has been increase to 68.30, 49.60 and 34.30 per cent respectively. However in the mining, service, farm, financial and real estate sector has been decreased viz. 18.60, 14.30, 4.50 and 3.70 per cent respectively. It has been observed during the corona virus pandemic that the expenditure on consumption side i.e. private expenditure, investment, export and import has been increases as compare to last year consumption from 19.30, 55.30, 39.10 and 60.20 per cent. The public expenditure of the Indian govt. has been decreased up to 4.80 per cent which is healthy sign of the economy.

Index Terms: Growth Rate, Market Economy, Trade, Service and Expenditure.

INTRODUCTION

Directly and indirectly the Covid-19 pandemic has hit hard upon the global economy. Amid the Corona virus pandemic, several countries across the world resorted to lockdowns to which paves the ways to rise the flatten the curve. During the lockdown period millions of citizens are stick to their homes and shutting down there businesses activities thought the country. According to the International Monetary Fund (IMF), the global economy is expected to shrink by over 3.00 per cent in 2020 the steepest slowdown since the Great Depression of the 1930s. The pandemic has tremendous economic shock which has triggered both demand and supply side simultaneously

for economies of the globe altogether. During the Covid-19 pandemic we have observed the adverse impact upon the Indian economy along with the economy of Himachal Pradesh like increased uncertainty, lower confidence among workers, loss of income and economic growth. The triggering of precautionary savings, risk aversion among businesses and resultant fall in consumption and investment-leading to the first order demand shock. The economy suffers and faces multifarious effects of lockdown from its interconnected sectors viz. agriculture and industry respectively. Disturbance in one sector to another, though the extent of changes varies. COVID-19 has disrupted supply chains and this has generated spillover effects which different levels of supplier networks in India. In 2020 trade has fallen in every regions and this has brought restraint to all sectors of the economy. The globe economy has slowed down considerably as preventative measures to protect populations from infection which has resulted in diminish economic activity and unprecedented unemployment levels at a global scale. At least 60.00 per cent of the world's supply and demand in goods and services, 65.00 per cent of manufacturing and 41.00 per cent of worlds' manufacturing exports are being hit hardly.

Review of literature

A general review of literature of the above mentioned period shows that the researchers were very much interested in the impact of COVID-19 Pandemic on growth rate of Himachal Pradesh Economy. Robert W. Fairlie (2020) conducted a study on the Impact of Covid-19 on small business owners, in the United States, based on secondary data from February to April 2020, collected from various sources. He analysed the result was negative for growth rate 22.00 per cent in active business owners in the United States. The drop of business owners was highest record and losses were recorded among all the industries. He found that the incorporated business were having highest dropped percentage i.e. 41.00, 32.00 and 26.00 per cent on the African-American businesses, Latinx business owners and Asian business owners respectively. Simultaneously it that industry compositions partly placed these groups at a higher risk of losses. Alexander W. Bartik et al. (2020) carried out a study on the impact of COVID-19 on small business outcomes and expectations in the United States. He was of the opinion that small businesses employees were almost 50.00 per cent of American workers. They concluded that the financial fragility of many small businesses deeply affected by the current crisis. They found that 43.00 per cent of businesses were temporarily closed and that employment had fallen by 40.00 per cent. This represents a shock to America's small firms that has little parallel since the Great Depression of the 1930s.

Objective of the study

- i) To analysis the impact of COVID-19 Pandemic on State economy under different sectors.
- ii) To analysis the resource mobilization by the state govt. during COVID-19.

Hypothesis of the Study

Null Hypothesis H₀: There has been no impact on growth rate of the state economy during COVID-19.

Alternative Hypothesis H₁: There has been impact on growth rate of the state economy during COVID-19.

Data Source and Methodology

Study was carried out in Himachal Pradesh which have been selected purposively for conducting the present empirical verification on the impact of COVID-19 Pandemic on growth rate of Himachal Pradesh Economy. The

study is based on secondary data. The required secondary data has been collected from the various government source during COVID-19 viz. agriculture, industry and services sector. The statistical tools have been analyzed through simple percentage, average method, line and bar diagram.

Result and Discussion

1. Impact of COVID-19 Pandemic on State economy under different sectors

COVID-19 has many overarching effects on almost all sector of the economy ranging from acute to minor. The impact on the main components of state economy under the primary, secondary and service (tertiary sectors).

1.1 Primary Sector: Forestry & Logging and Mining & Quarrying

Himachal Pradesh has abundant supply of forest resources that are included in the primary sector i.e. agriculture, forestry and quarrying. The COVID-19 Lockdown had a strong impact on its growth rate. The table 1.1 shows the overall negative growth rate of the state economy in all sectors as per economic survey 2021. The highest decreasing under primary sectors can be seen in the mining and quarrying (-18.4 per cent) followed by forestry (-17.5 per cent). This is due to the nationwide lockdown for COVID-19 outbreak which forced everyone to stay at homes to maintain social distancing. The unavailability of labour to work in forest and logging on the one side, and the decrease in the demand on the other side led to twin shocks to these sectors.

Manufacturing and construction is the backbone of any economy. These are main components of the secondary sector which accounts for the second highest percentage share in GSDP. The unavailability of manpower due to lockdown is the main reason being the fall in the growth rate of manufacturing and construction sector in the State. Transportation is part of the tertiary sector and has important role in the economy of the State. Absence of other means of transportation through airways and railways makes road transportation play an important role in the hilly terrain. Transportation by other means has the highest dip of (-) 28 per cent whereas, Transportation, Storage and Communication has -16.2 per cent fall in 2020-21 due to COVID-19. Tourism remains the main source of revenue generation and employment in the State. COVID-19 forced lockdown which caused the worst hit to the tourism sector in the State. The data shown in table 1.1 has been clearly presented in the line and bar diagram 1.1 and 1.2.

Table 1.1

Growth Rate of the Himachal Pradesh Economy Under Different Sectors

Different Sector	2018-19	2019-20	2020-21
A Primary Sector			
Forestry and Logging	2.60	10.60	-17.50
Mining and Quarrying	-3.50	4.30	-18.40
B Secondary Sector			
Manufacturing	11.20	0.20	-14.20
Construction	3.70	3.10	-11.50

C Service Sector			
Transport, Storage and Communication	2.50	4.50	-16.20
Transport by other Means	7.80	5.60	-28.00
D Others			
Tourism and Hospitality	-16.08	4.63	-81.33

Source : Government of Himachal Pradesh, *Statistical Abstract of Himachal Pradesh 2020-21*, Department of Economics and Statistics, Shimla, 2021, pp 25-27.

Figure1.1

Growth Rate of the Himachal Pradesh Economy Under Different Sector

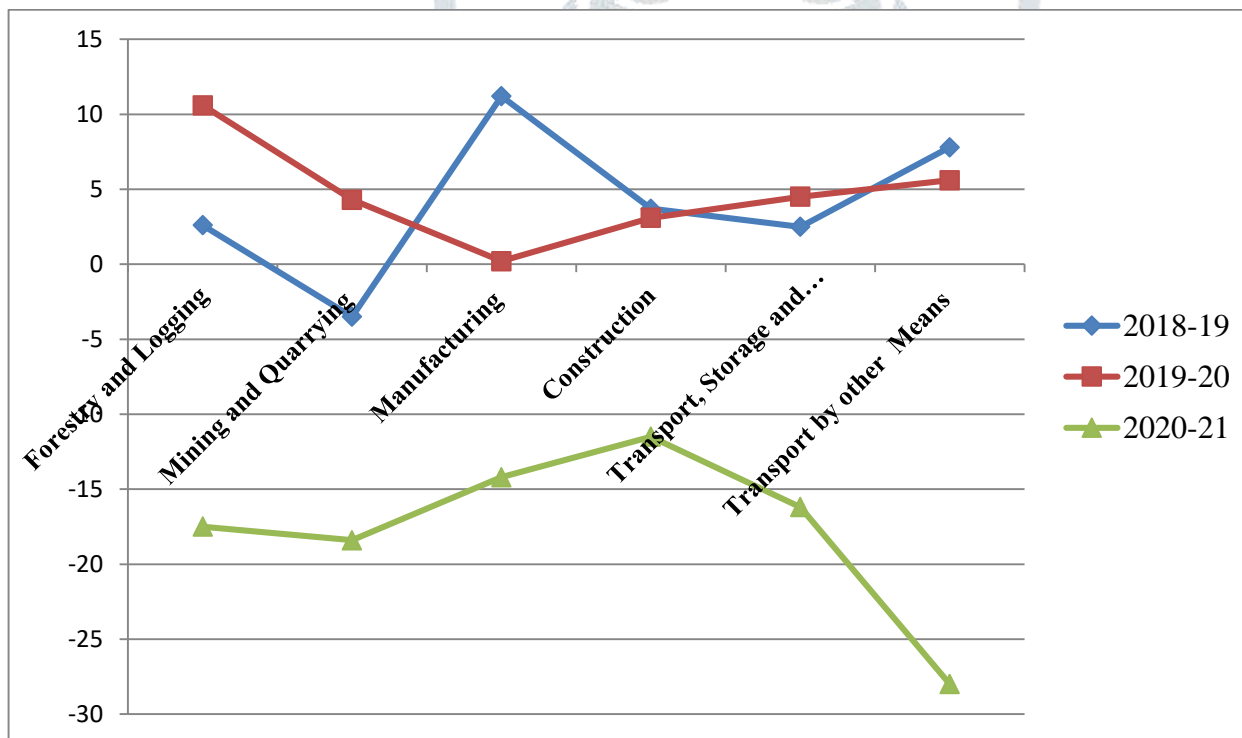
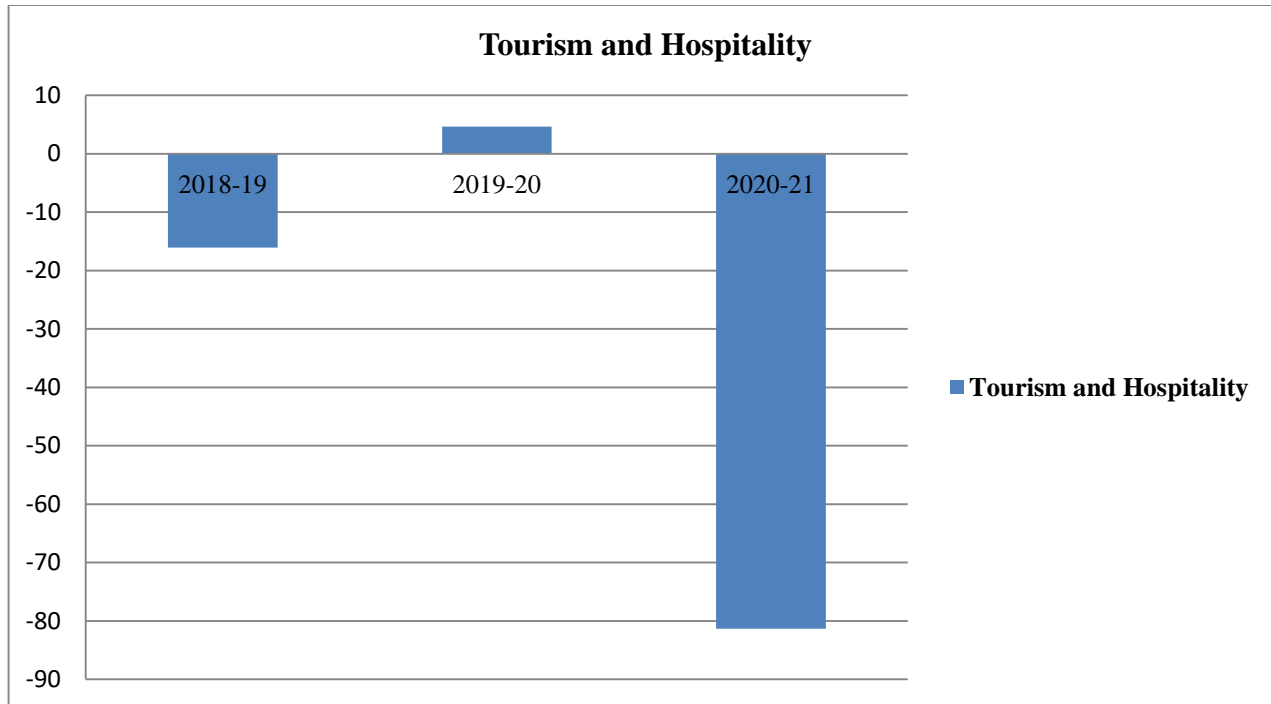


Figure1.2

Growth Rate of the Himachal Pradesh Economy Under Tourism and Hospitality**1.2 Resource Mobilization by the State Government****i) From Own Sources**

The Government of Himachal Pradesh has decided to cut down 30.00 per cent Salary of the public representatives, chairpersons and vice-chairpersons of boards and corporations during COVID-19 pandemic wave in order to resource mobilization in favour of marginalized sections of the society. On the other hand the govt. has also decided to imposed cess on the sale of liquor, which in turn lead to an additional income source of another Rs. 100 crore to the State exchequer. Similarly, govt. has not increased in dearness allowance to their employees and pensioners respectively. Similarly, Himachal Pradesh Government has decided to remove the employees from the benefits from the PDS system and other low income class was included in the PDS beneficiary scheme of the govt. from time to time.

ii) Interest-Free Loan from Govt. of India

During COVID-19 pandemic the Government of India has provided interest free loan amounting to Rs. 450.00 crore and out of which first installment of Rs. 225.00 crore has been released. The Central Government has extended repayment period of loan for 50 years. In order to promote infrastructural facilities the Central Government has released Rs. 73.33, 41.49 and 11.18 crore to improve roads, railway network, water supply, management and others facilities. The data shown in table 1.2 has been clearly presented in the pie diagram 1.3.

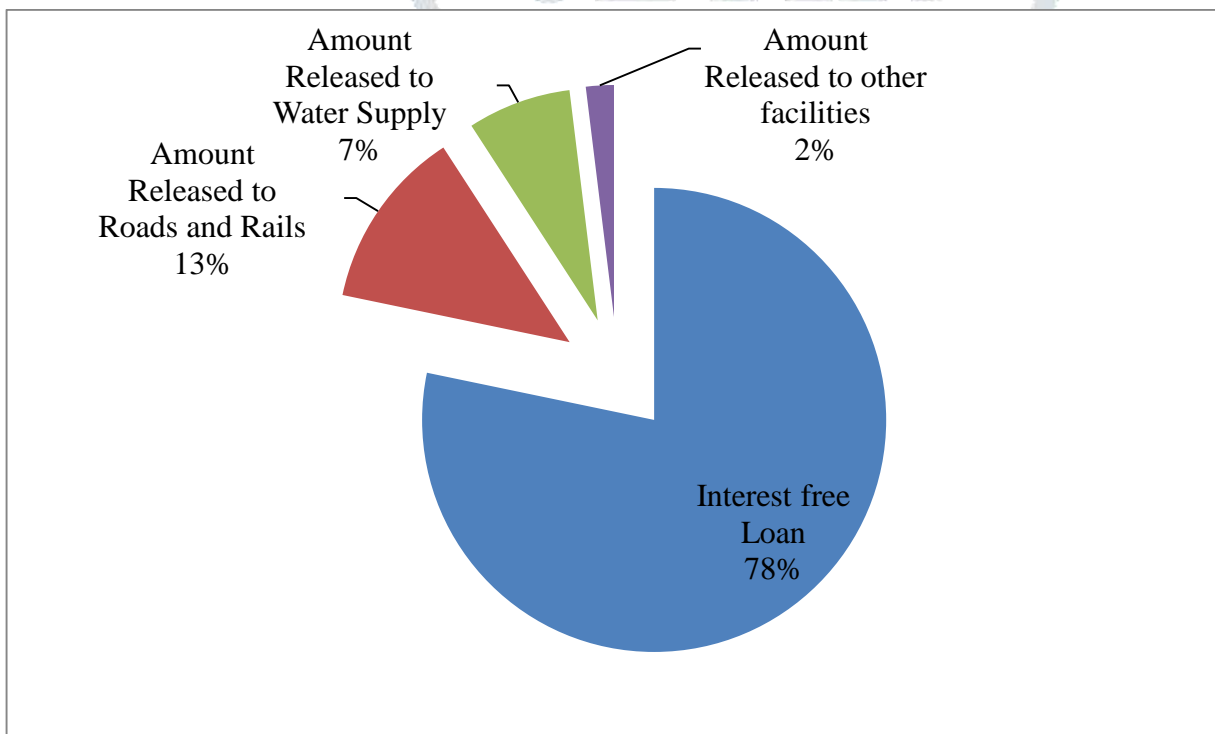
Table 1.2

Resource Mobilization by the State Government during COVID-19

Sr. No.	Particular	Amount in Crore
1	Interest free Loan	450.00
2	Amount Released to Roads and Rails	72.33
3	Amount Released to Water Supply	41.49
4	Amount Released to other facilities	11.18

Source : Government of Himachal Pradesh, *Statistical Abstract of Himachal Pradesh 2020-21*, Department of Economics and Statistics, Shimla, 2021, pp 31.

Figure 1.3

Resource Mobilization by the State Government**Conclusion**

The outbreak of the Covid-19 pandemic is an unprecedented shock to the Indian economy. The Government of India has announced a variety of measures to tackle the situation, from food security and extra funds for healthcare and to sector related incentives and tax deadline extensions. With the prolonged country-wide lockdown, global economic slowdown and associated disruption of demand and supply chains, the economy is likely to face a protracted period of slowdown. This study revealed the potential impact of the shock on various sectors like manufacturing, financial services, banking, infrastructure, real estate, and services and put forward a set of policy

recommendations for specific sectors. The results also highlight the importance of well-designed and sustained economic and public health policy measures. The study concluded that highest decreasing under primary sectors can be seen in the mining and quarrying (-18.4 per cent) followed by forestry (-17.5 per cent). Transportation by other means has the highest dip of (-) 28 per cent whereas, Transportation, Storage and Communication has -16.2 per cent fall in 2020-21 due to COVID-19. Tourism remains the main source of revenue generation and employment in the State. COVID-19 forced lockdown which caused the worst hit upon the tourism industry of state economy. The Government of Himachal Pradesh has decided to cut down 30.00 per cent Salary of the public representatives, chairpersons and vice-chairpersons of boards and corporations during COVID-19 pandemic wave in order to resource mobilization in favour of marginalized sections of the society. Similarly, govt. has not increased in dearness allowance to their employees and pensioners respectively. Similarly, Himachal Pradesh Government has decided to remove the employees from the benefits from the PDS system and other low income class was included in the PDS beneficiary scheme of the govt. from time to time. Thus we reject the null hypothesis during the study we observed that the Covid-19 pandemic has worst hit almost the every sector of the Indian economy as well as the economy of Himachal Pradesh in its entirety.

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