
IMPACT OF COVID -19 ON STATE GROSS DOMESTIC PRODUCT OF HIMACHAL PRADESH

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Abstract

In this paper, an attempt has been made to examine the impact of corona virus on the GSDP of Himachal Pradesh at aggregated and disaggregated level. The study was based on secondary data, the information on state gross domestic product (at current prices) aggregated and disaggregated level, for the period from 2017-18 to 2020-21 was compiled from the various reports of statistical abstracts and economic surveys of Himachal Pradesh. For measuring the growth of GSDP exponential growth rate was tested at aggregated and disaggregated level. As per main findings, at aggregated level every sector that is primary, secondary, tertiary and GSDP showed a decline in growth to negative. Whereas, at disaggregated level majority of the sub-sectors has shown negative growth rate, but growth rate in some sub sectors was still positive like, communication and services related to broadcasting, financial services, real estate, ownership of dwellings and professional services. The exception of COVID-19 impact was found in fishing sub-sector, where not only the growth rate was positive but it was also more than that of previous year. Accordingly, findings from the investigation are expected to deliver useful policy input for attaining balanced growth for state.

Introduction:

Coronavirus officially called – COVID -19 was originated in Wuhan, China on 31 December, 2019, infected 213,345,924 and killed 4,454,131 people across the world till date. The coronaviruses are an outsized group of viruses that are common among animals. In rare cases, they will be transmitted from animals to humans, but now this virus has spread about 220 countries and territories around the world. It is not just a health crisis; it is economic and humanitarian crisis and called a black swan by many economists.

In India, the first case of COVID-19 was reported on 30th January 2020. As of 24th August 2021, The Ministry of Health and Family Welfare has confirmed a total of 319551 active cases, 31720112 recoveries and 435110 deaths in the country. On 24th March 2020, Prime Minister Narendra Modi announced 21 days complete lockdown for 1.3 billion Indians immediately from midnight to shield themselves from the coronavirus. The UN warned that the coronavirus pandemic is expected to have a significant adverse impact on global economy, and most significantly, GDP growth of India for the present economy is projected to decline to 4.8 percent (United Nation, 2020).

Situated in the Western Himalayas, Himachal Pradesh is one of the eleven mountain states characterized by extreme landscape. The State is bordered by Jammu & Kashmir in North, Punjab in West and South-West, Haryana in South, Uttarakhand in South-East and China in the East. In Himachal Pradesh, the first case of COVID-19 was reported on 20th March 2020. As of 24th August 2021, The Ministry of Health and Family Welfare (GOI) have confirmed a total of 2030 active cases, 206375 recoveries and 3574 deaths in the state. This COVID-19 pandemic affected the GDP (including primary, secondary and the service sector – tourism, healthcare, retails, real estate, transportation, banks, education, IT, media and others) not only at national level but at state level also.

In this study an attempt has been made to investigate the impact of Covid-19 on the economy of Himachal Pradesh. The motivation behind this is to provide an overview of the change in the growth of the SGDP that occurred to different sectors of the Himachal Pradesh economy.

Data and Analysis

The present study is quantitative research and based on secondary data collected from the various reports of statistical abstracts and economic surveys of Himachal Pradesh. There are certain tools and techniques which have been used to achieve the objective of present study. The results in present study have been calculated by applying the following statistical tool:

Exponential Growth Rate:

$$f(x) = a(1 + r)^x$$

Where, $f(x)$ = exponential growth rate

a = initial value

r = growth rate

x = number of time intervals

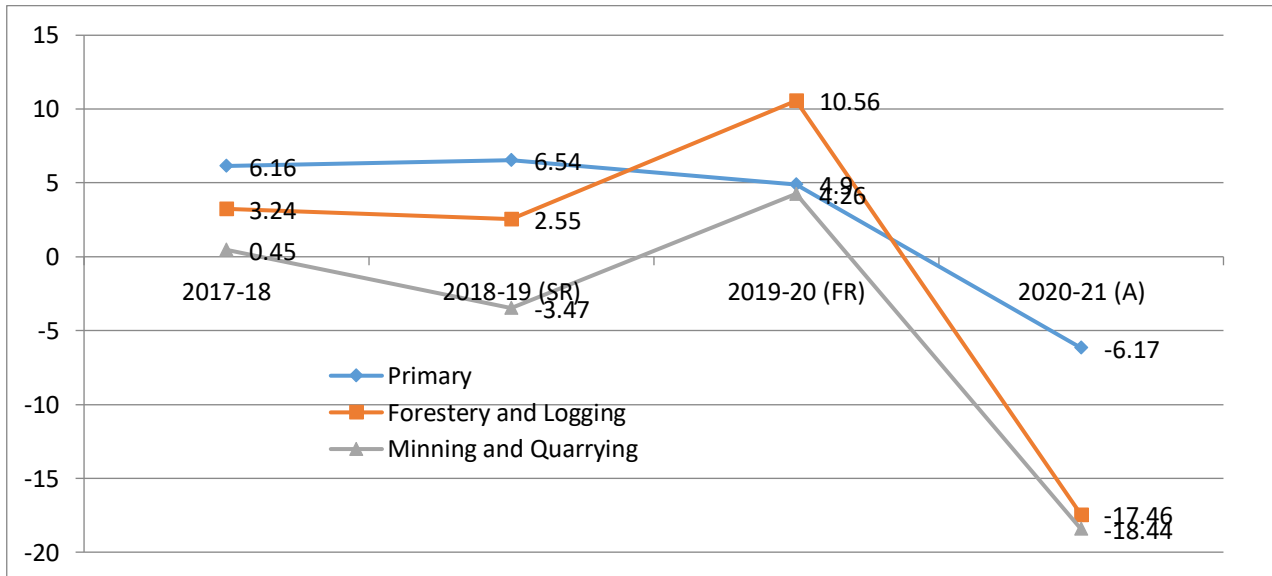
Impact Of Coronavirus On Sgdp Of Himachal Pradesh

To know the economic health of any nation or state GDP or SGDP may be the best measure. It includes almost all sectors and sub-sectors of the state economy which are components and essential for development. Present Chapter analysis COVID -19 impact on state economy.

1. Primary Sector

Primary sector has its six sub sectors namely agriculture and animal husbandry, crops, livestock, forestry and logging, fishing and mining and quarrying. The impact of COVID-19 on every subsector has been observed but to better understanding only two sub sectors (forestry and logging and mining and quarrying) has been compared with primary sector.

Figure 1.1
Growth of Primary Sector



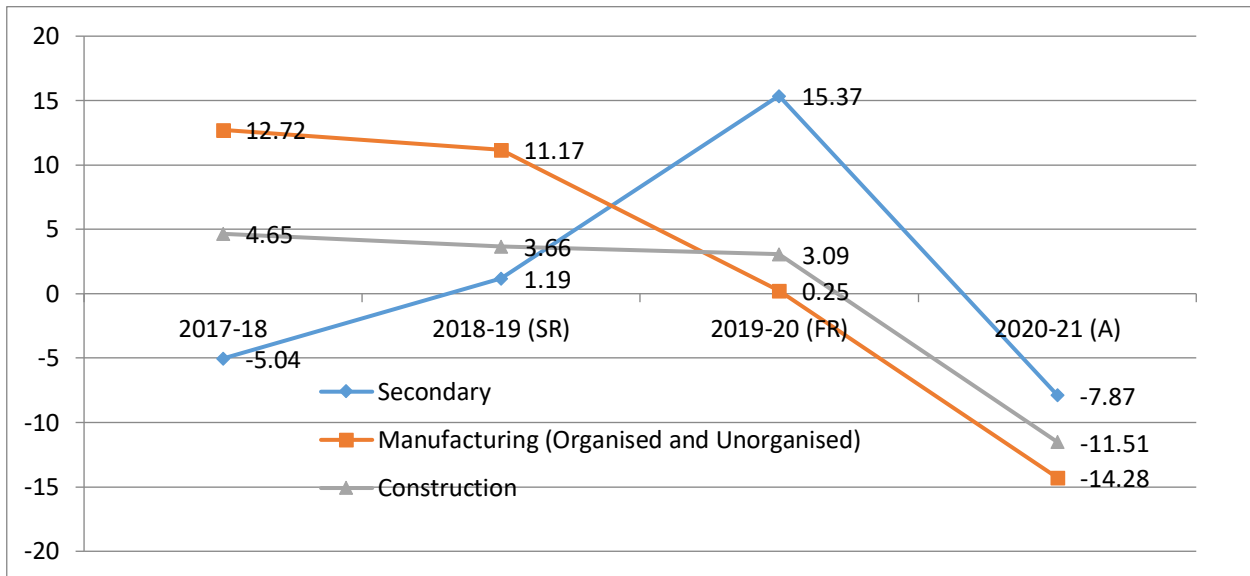
The highest decline under primary sector can be seen in the mining and quarrying (- 18.44 percent) followed by the forestry and logging sub-sector (-17.46 percent). The growth of primary sector as whole declined with -6.17 percent. This was due to the national wide lockdown for COVID-19 outbreak which forced everyone to stay at home. Double edge impact of COVID-19 has been observed one was the shortage of labour supply (supply side effect) in forestry and logging and mining and quarrying and other was decline in the demand of products (demand side effect) from these sub-sectors. Out of six sub-sectors of the primary sector only two sub-sectors (forestry and logging and mining and quarrying) reported the decline in growth rate more than the primary sector. Two sub-sectors reported the decline in the growth rate less than the primary sector. There was a decline in the growth rate of the livestock from previous year but it still remains positive. Whereas, the growth rate of fishing sub-sector shows a

positive trend from previous year (i.e. 4.72 percent to 6.91 percent). The growth rate of primary sector was more stable than its sub-sectors.

2. Secondary Sector

Secondary sector which accounts for the second highest percentage share in GSDP after tertiary sector has its three sub-sectors namely manufacturing (organized and un-organized), construction, water supply and other utility services. The impact of COVID-19 on every sector and subsector (i.e. secondary sector and its three sub-sectors) has been observed but to better understanding only two sub sectors (manufacturing and construction) has been compared with secondary sector.

Figure 1.2
Growth of Secondary Sector

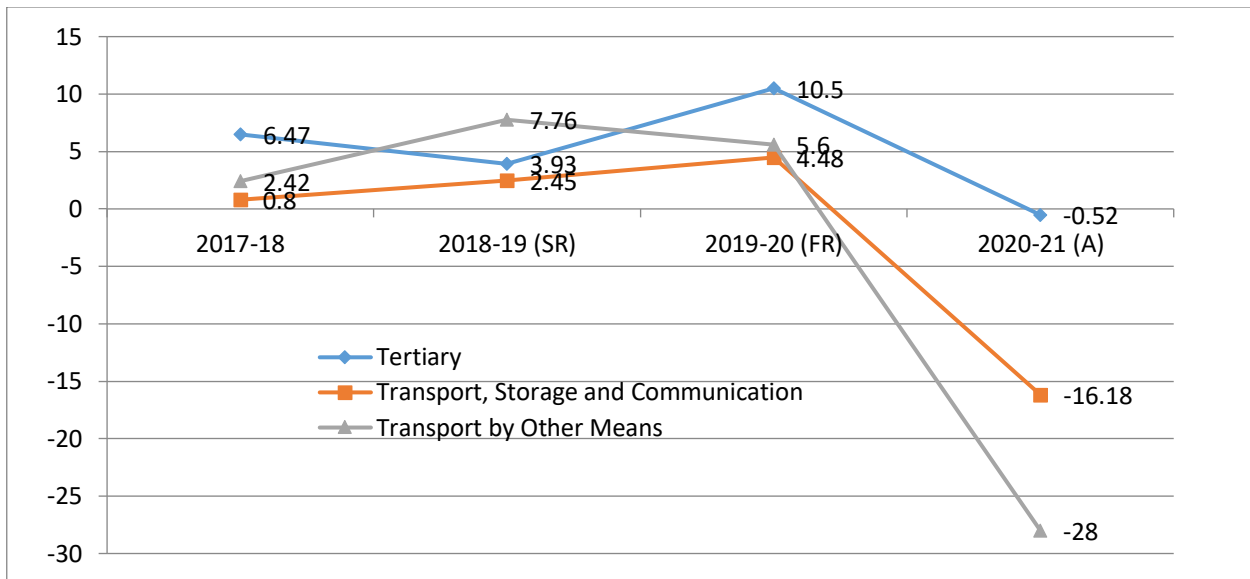


The highest decline under secondary sector can be seen in the manufacturing (- 14.28 percent) followed by the construction sub-sector (-11.51 percent). The growth of secondary sector as whole declined to -7.87 percent. The reason behind the decline in the growth rate of secondary sector and its sub sectors was same as for the primary sector that is lock down due to COVID-19.

3. Tertiary Sector:

Tertiary sector has its eight sub sectors (as per the availability of data) namely transport, storage and communication, railways, transport by other means, communication and services related to broadcasting, financial services, real estate, ownership of dwellings and professional services, public administration and other services. The impact of COVID-19 on every subsector has been observed but to better understanding only two sub sectors (transport, storage and communication and transport by other means,) has been compared with tertiary sector.

Figure 1.3
Growth of Tertiary Sector



The highest decline under tertiary sector can be seen in the transport by other means (-28 percent), because due to COVID-19 lockdown the movement of any kinds of vehicles on road was totally banned, followed by the transport, storage and communication sub-sector (-16.18 percent). The growth of tertiary sector as whole declined with -0.52 percent.

4. GSDP

Gross state domestic product has its three main components namely primary, secondary and tertiary sectors. COVID-19 not only affects the sub-sectors of the economy but also the major sectors. The aggregate impact of the sub-sectors and main sectors can be stated as impact on GSDP.

Figure 1.4
Growth Rate of State Gross Domestic Product

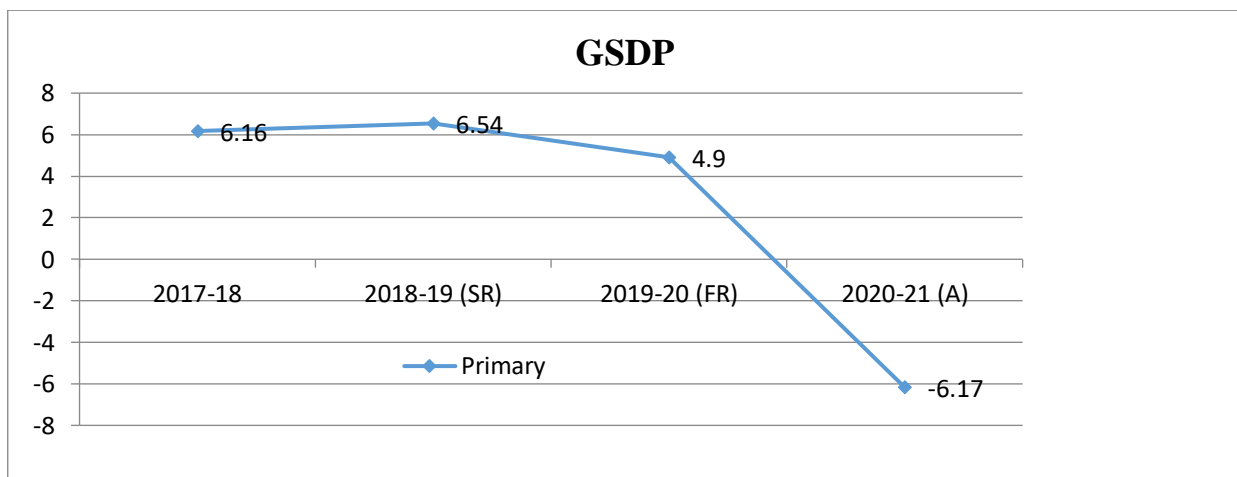


Figure 1.4 states that before the arrival of the COVID-19 the GSDP of Himachal Pradesh Economy was positive for every successive year but after the arrival of the COVID-19 in the fourth quarter of year 2019-20, the GSDP of Himachal Pradesh economy starts declining and it became negative from 4.9 percent in the year 2019-20 to -6.17 in

the year 2020-21. The decline in the GSDP growth from year 2018-19 (i.e. 6.54 percent) to year 2019-20 (4.9 percent) was also due to the arrival of COVID-19 in the last quarter of the year 2019-20.

5. Comparison between Primary, Secondary, Tertiary Sectors and GSDP

Primary, Secondary and Tertiary sectors are the three main components of GSDP. Any effect on these three main sectors change the direction of GSDP as whole. The impact of COVID-19 on these main sectors and GSDP as whole can be seen below figure.

Figure 1.5
Comparison between Primary, Secondary, Tertiary Sectors and GSDP

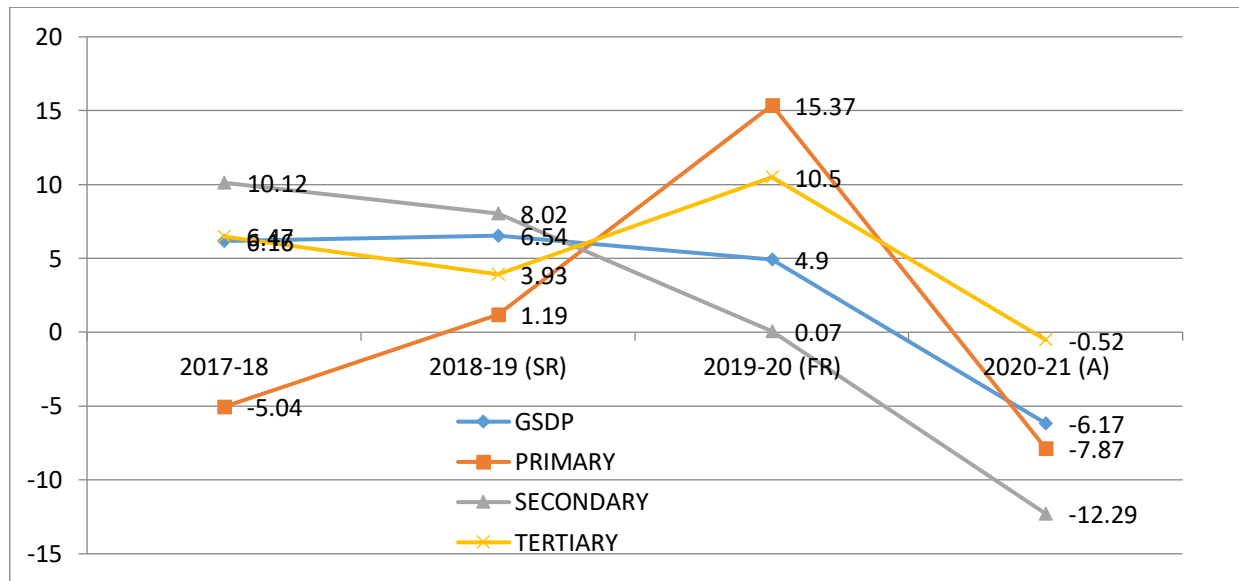


Figure 1.5 reveals that the highest decline in the year 2020-201 was found in the secondary sector (i.e. -12.29 percent) due to the complete shutdown of the industries because of COVID-19 lockdown, followed by the primary sector (i.e. -7.87 percent). The decline in the primary sector growth was not because of the agriculture and animal husbandry, crops, livestock and fishing but it was due to the closing of the activities in forestry and logging and mining and quarrying because of COVID-19 lockdown. The lowest impact of the COVID-19 can be seen in the tertiary sector (i.e. -0.52 percent), because of the new concept originated due to COVID-19 that is work from home. GSDP also declined to negative (i.e. -6.17) in the year 2020-11 due COVID-19.

Conclusion:

COVID-19 has many overarching effects on almost all sector of the economy ranging from major to minor. In case of aggregated level the heavy impact of COVID-19 was seen on the secondary sector (i.e. -12.29 percent) due to completely shut down of the industries. Another shock of the COVID-19 was to the primary sector (i.e. -7.87 percent) due to the closing of activities in forestry and logging and mining and quarrying. The minor impact of COVID -19 was seen on tertiary sector (i.e. -0.52 percent) due to the online meetings and work from home. In case of disaggregated level the heavy impact of COVID-19 was seen on the transport by other means (i.e. -28 percent) due to completely closing of roadways and railways transport. Another major impact of COVID-19 was seen on mining and quarrying and forestry and logging sub-sectors due to the closing of activities in these sub-sectors. At aggregated level every sector that is primary, secondary, tertiary and GSDP showed a decline in growth to negative. Whereas, at disaggregated level majority of the sub-sectors has shown negative growth rate, but growth rate in some sub sectors was still positive like, communication and services related to broadcasting (i.e. 3.41 percent), financial services (i.e. 1.13 percent), real estate, ownership of dwellings and professional services (i. e. 2.98 percent). The exception of COVID-19 impact was found in fishing sub-sector, where not only the growth rate was positive but it was also more than that of previous year (i.e. 4.72 percent in 2019-20 and 6.91 percent in 2020-21).

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