

# COVID-19 AND ITS IMPACT ON THE ECONOMY OF HIMACHAL PRADESH

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**Abstract:** *This paper examines the impact of pandemic covid-19 on the economy of Himachal Pradesh. Covid-19 has a very negative impact on the rural economy of Himachal Pradesh. The economy of Himachal Pradesh is mainly based on local business, tourism, horticulture, agriculture and small scale industry. A lockdown was imposed on the economy due to covid-19. Due to the lockdown, local business collapsed, the industries were closed, as a result, production decreased due to the inability of factories to bring in workers, employment decreased, the revenue received by the government decreased, decrease in foreign exchange due to decrease in the local export of agricultural and horticulture crops and loss of income from foreigners due to the collapse of the tourism industry. In such scenario, the impact of covid -19 on GDP, the tourism industry and finally the social and welfare effects of covid -19 have been discussed.*

**Keywords:** COVID-19, GDP, impact, society, tourism, Virus.

## 1. INTRODUCTION:

COVID-19, a member of the corona virus family, has thrown people's lives into chaos all around the world. In December 2019, the first incidence of COVID-19 was identified in China. In March 2020, the World Health Organization declared the novel Corona Virus a Pandemic illness, indicating that the new virus is quickly spreading throughout countries around the world. On February 11, 2020, the World Health Organization (WHO) declared Corona Virus, commonly known as COVID-19, as a disease. The first incidence of the COVID-19 pandemic in India, which originated in China, was reported on January 30, 2020. The COVID-19 epidemic has likely dealt the world economy the worst blow since the Great Depression of the 1930s. In the absence of a medical cure for the Corona virus, almost 60% of the world's population is either in a state of severe or partial lockdown, and economic activity across nations has either ceased or drastically slowed down, wiping out millions of livelihoods. India had no choice but to implement the lockdown policy because to its large population and subpar medical infrastructure. India's economy is also in danger of going into recession. Due to its own lockdown, which was necessary to stop the corona virus from spreading, as well as India's large population, the COVID-19 will have a significant negative impact on India's economy (Sahoo and Ashwani 2020). The Covid-19 pandemic outbreak has shocked the Indian economy like never before. The economy is anticipated to experience a protracted period of decline due to the prolonged national lockdown, the global economic slump, and the consequent disruption of demand and supply networks (Dev and Sengupta 2020). On the eve of the pandemic, there were significant differences across the Indian states in terms of their economic histories, pre-Covid-19 situations, general economic structures, fiscal positions, and healthcare and public health capacities (Goswami, Mandal and Nath 2021). The pandemic gradually expanded to other states and union territories, including Himachal Pradesh. On March 20, 2020, the first case was reported in Himachal Pradesh. This paper examines the differential economic impacts of Covid-19 pandemic on the economy of Himachal Pradesh

## 2. OBJECTIVES AND METHODOLOGY:

The specific objective of the present study is to highlight the impact of outbreak of pandemic covid-19 on the economy of Himachal Pradesh. Present research is descriptive in nature based on the secondary data collected from various sources such as published and unpublished Journal Articles, Newspapers, Books, and Reports of various Government Organizations, Non-Governmental Organizations and Commission. Secondary data has been analyzed by simple percentage for key indicators. The data collected in tabular form from different sources has been analyzed with mathematical and statistical tools.

### 3. ANALYSIS AND RESULT:

COVID-19 has a wide range of effects on practically every sector of the economy, from acute to minor. The current section examines its impact on the primary, secondary, and tertiary sectors of the state economy.

#### Impact of covid-19 on the different sector of economy:

The covid -19 has a strong impact on growth of all sectors which is given in Table 1 and in figure 1. The Primary sector comprises agriculture, horticulture, livestock, forestry and logging, fishing mining and quarrying sub-sectors. The agriculture with its allied sectors registered a growth of (-) 12.0 per cent in 2020-21 (First Revised Estimate) at constant (2011-12) prices. The Secondary sector broadly comprises manufacturing (organized and unorganized), electricity, gas and water supply and construction, as per First Revised Estimate for 2020-21 at constant (2011-12) prices, the secondary sector registered growth of (-) 6.6 per cent over the previous year. The Services sector comprises trade, hotel and restaurants, transport, storage and communications, banking and insurance, real estate and professional services and community and social and personal services. It registered growth of (-) 2.1 per cent in 2020-21 (First Revised Estimate) over the previous year.

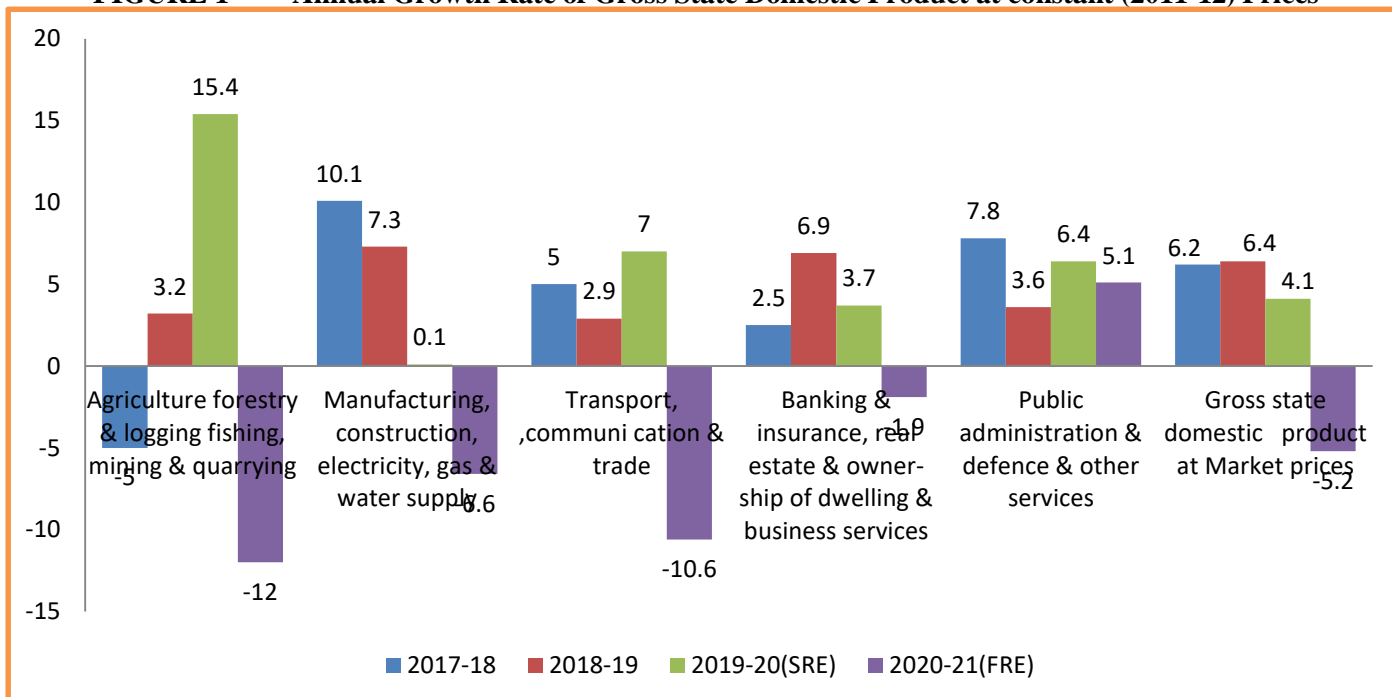
**Table 1 Annual Growth Rate of Gross State Domestic Product at constant (2011-12) Prices**

Year	Agriculture, forestry & logging, fishing, mining & quarrying	Manufacturing, construction, electricity, gas & water supply	Transport, communication & trade	Banking & insurance, real estate & ownership of dwelling & business services	Public administration & defence & other services	Gross state domestic product at Market prices
2017-18	(-)5.0	10.1	5	2.5	7.8	6.2
2018-19	3.2	7.3	2.9	6.9	3.6	6.4
2019-20(Second Revised Estimate)	15.4	0.1	7.0	3.7	6.4	4.1
2020-21(First Revised Estimate)	-12.0	-6.6	-10.6	-1.9	5.1	-5.2

**Source:** Economic Survey of Himachal Pradesh 2021-2022

It is clear from the table 1 that during 2020-21 the state economy contracted by 5.2 per cent due to COVID-19 pandemic. The growth rate of Himachal Pradesh GSDP was 4.1% in 2019-20, lower than the growth rate in 2018-19 (6.4%) and growth rate in 2017-18 (6.2%).

**FIGURE 1 Annual Growth Rate of Gross State Domestic Product at constant (2011-12) Prices**



**Source:** Economic Survey of Himachal Pradesh 2021-2022

### Impact on Per Capita Income (PCI):

The PCI for Himachal Pradesh at current prices decreased to 1,83,333 in 2020-21(FRE) from 1,85,728 in 2019-20 (SRE) registering a growth of (-) 1.3 per cent. At constant (2011-12) prices, the per capita income for 2020-21(FRE), was estimated at 1,33,079 against 1,40,048 in 2019-20 (SRE) resulting a growth of (-) 5.0 per cent. A picture of PCI at current prices of Himachal Pradesh is given in table 2. The annual growth rate of per capita income at constant (2011-12) and current prices is given in table 3 and in figure 2.

**Table 2 Per Capita Income of Himachal Pradesh at Current Prices (in Rupees)**

Years	Per Capita Income at Current Prices(in Rupees)
2017-18	1,65,497
2018-19	1,74,804
2019-20 (SRE)	1,85,728
2020-21 (FRE)	1,83,333

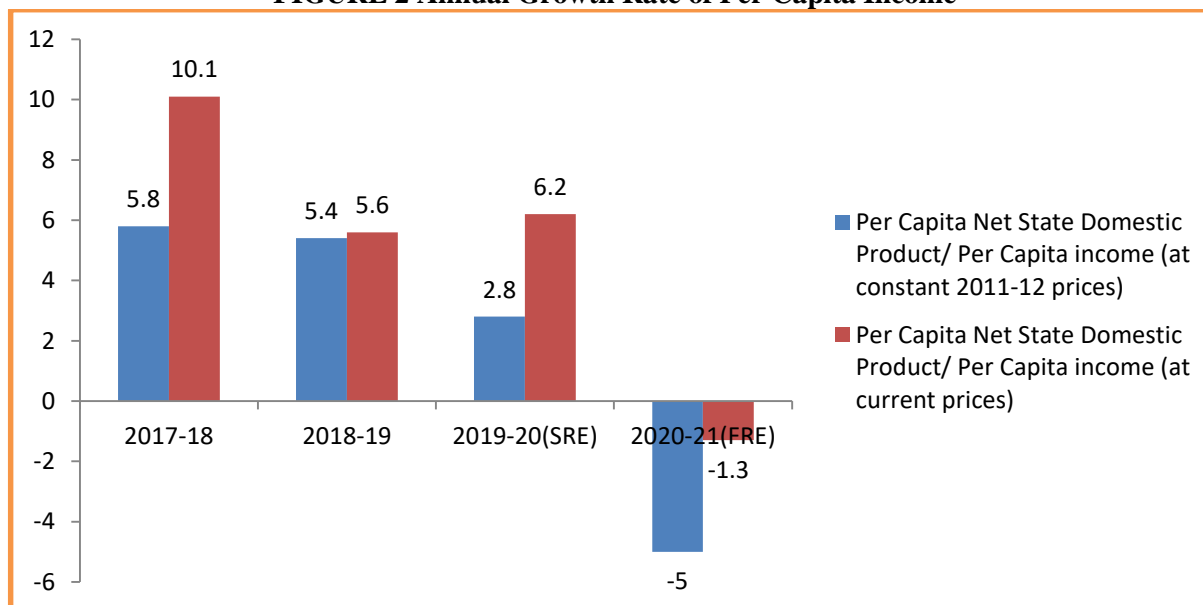
Source: Economic Survey of Himachal Pradesh 2021-2022

**Table – 3 Annual Growth Rate of Per Capita Income**

Year	Per Capita Net State Domestic Product/ Per Capita income (at constant 2011-12 prices)	Per Capita Net State Domestic Product/ Per Capita income (at current prices)
2017-18	5.8	10.1
2018-19	5.4	5.6
2019-20(SRE)	2.8	6.2
2020-21(FRE)	-5.0	-1.3

Source: Economic Survey of Himachal Pradesh 2021-2022

**FIGURE 2 Annual Growth Rate of Per Capita Income**



Source: Economic Survey of Himachal Pradesh 2021-2022

### Impact of covid-19 on the Tourism and Hospitality Sector:

Tourism is the backbone of the economy of Himachal Pradesh. Tourism remains the main source of revenue generation and employment in the State. Every year a lot of employment as well as revenue are generated through tourism sector in the state. However during the Corona pandemic tourism sector of the state was badly affected as the arrival of the tourists markedly decreased during the pandemic phase. COVID-19 forced lockdown which caused the worst hit to the tourism sector in the State. The table 4 and figure 3 presents tourist inflow in the State since 2010.

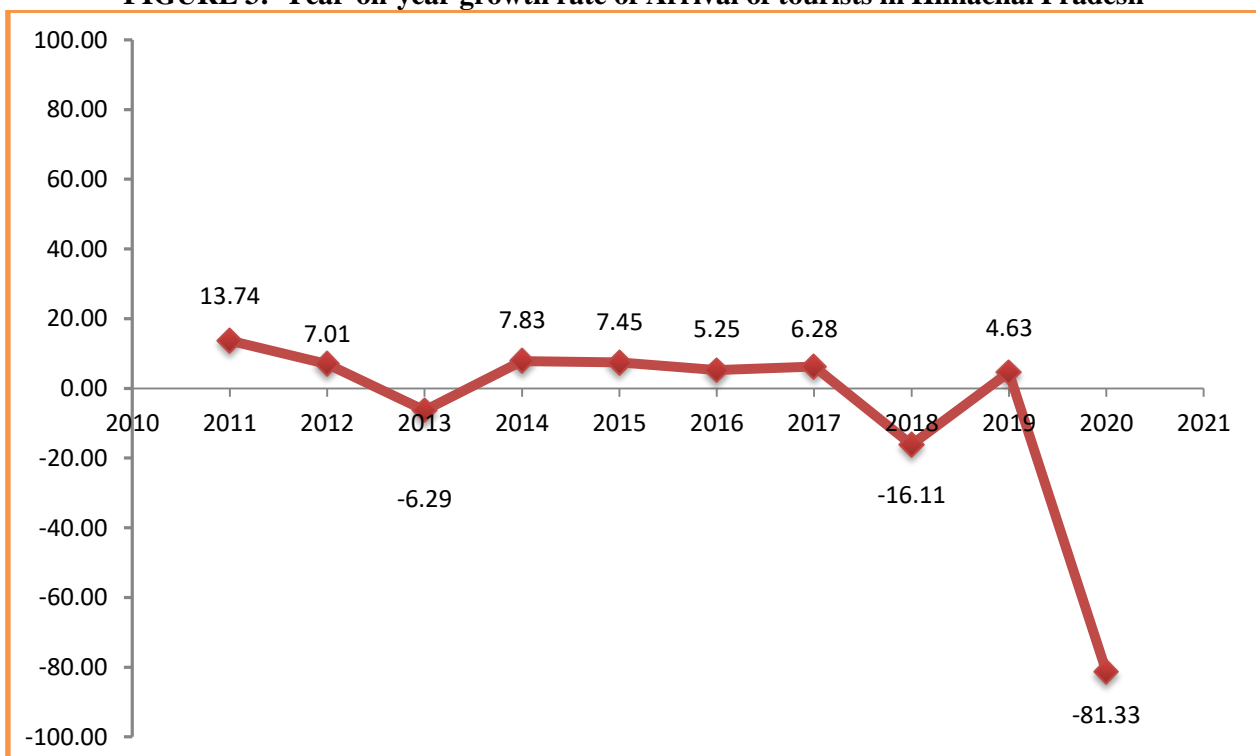
**Table – 4 Tourists Inflows in Himachal Pradesh (In lakh)**

Year	Indian	Foreigners	Total	Growth Rate over previous year
2010	128.12	4.54	132.66	-
2011	146.05	4.84	150.89	13.74
2012	156.46	5	161.46	7.01
2013	147.16	4.14	151.3	-6.29
2014	159.25	3.9	163.15	7.83
2015	171.25	4.06	175.31	7.45
2016	179.28	4.53	184.51	5.25
2017	191.31	4.71	196.09	6.28
2018	160.94	3.56	164.5	-16.11
2019	168.29	3.83	172.12	4.63
2020	31.7	0.43	32.13	-81.33

**Source:** Economic Survey of Himachal Pradesh 2021-2022

The table 4 shows the highest (-81.33 per cent) contraction in the arrival of tourists in 2020 as compared to the previous year. Arrival of tourists sees a variation in terms of year-on-year growth rate in the state. However, a large variation in the growth rate is seen in the time of countrywide lockdown which not only forced domestic tourists to stay locked in their homes, but led to foreign tourists staying back in their countries due to ban on international flights.

**FIGURE 3: Year-on-year growth rate of Arrival of tourists in Himachal Pradesh**



**Source:** Economic Survey of Himachal Pradesh 2021-2022

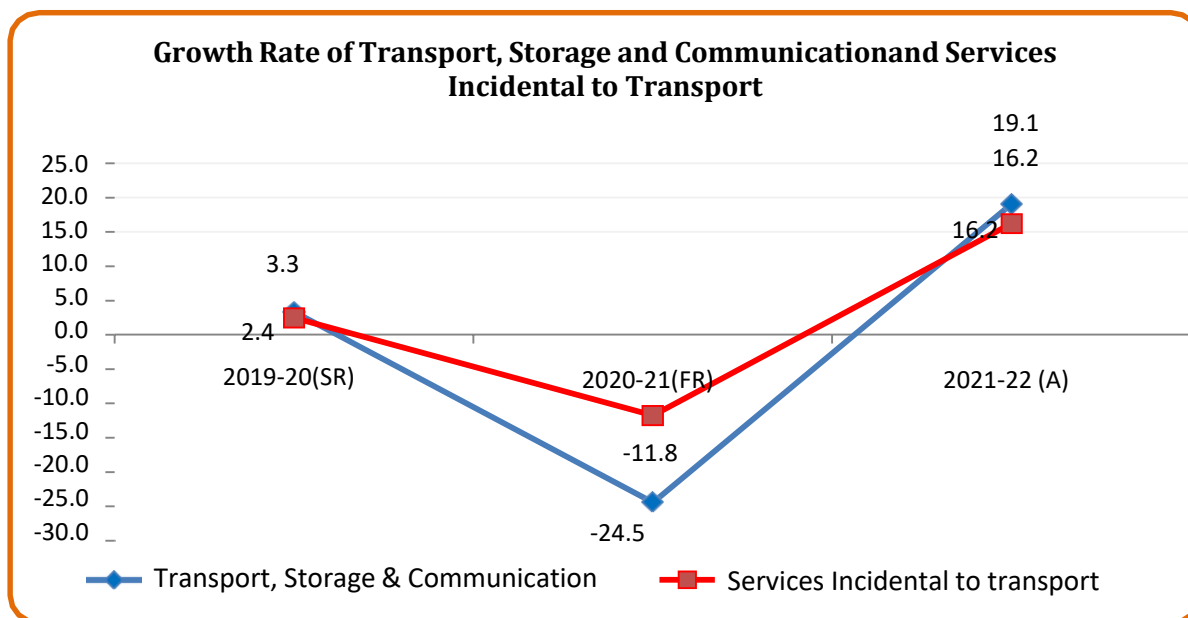
**Impact on Health Sector:**

Due to COVID-19 there were obvious strains on available health infrastructure. Health sector of the state was overburdened due to wide spread of the corona virus in the state and to tackle the situation resources and funds of other sectors were also diverted towards health sector which drastically affect the other sectors and their economic resources as well as their economic growth.

### Transport Storage and Communication and Services Incidental to Transport

Transportation is part of the tertiary sector and has important role in the economy of the State. Absence of other means of transportation, such as by air and trains, makes road transportation play an important role in hilly terrain. The figure 4 presents growth rate of transport, storage and communication.

FIGURE 4: Growth rate of transport, storage and communication



Source: Economic Survey of Himachal Pradesh 2021-2022

Transport, storage and communication had the highest drop of 24 per cent whereas, services incidental to transport fell by 11.8 per cent in 2020-21 due to COVID-19 forced lockdown. After relaxation of restrictions, these sectors started recovering and saw a steep recovery of 19.1 per cent in Transport Storage and Communication. For Services Incidental to Transport, 16.2 per cent growth was estimated.

#### 4. CONCLUSION:

In the present study, the impacts of covid-19 on the economy of Himachal Pradesh have been analyzed. The covid -19 has a strong impact on growth of all sectors of the state economy. It has been observed that agricultural sector registered a growth of (-) 12.0 per cent in 2020-21 (First Revised Estimate) at constant (2011-12) prices. The Secondary sector registered growth of (-) 6.6 per cent in the year 2020-21 over the previous year. The Services sector registered growth of (-) 2.1 per cent in 2020-21 (First Revised Estimate) over the previous year. Further it can be concluded that during 2020-21 the state economy contracted by 5.2 per cent due to COVID-19 pandemic. The growth rate of Himachal Pradesh GSDP was 4.1% in 2019-20, lower than the growth rate in 2018-19 (6.4%) and growth rate in 2017-18 (6.2%). Due to COVID-19 pandemic tourism sector shows the highest (-81.33 per cent) contraction in the arrival of tourists in 2020 as compared to the previous year. Arrival of tourists sees a variation in terms of year-on-year growth rate in the state.

Thus, it can be concluded from the present empirical study that COVID-19 pandemic has adverse effects on the all sector of state economy. The socio-economic situation and way of life of the people in Himachal Pradesh have been seriously disrupted by the COVID-19 epidemic, which has posed a tremendous risk. However, a large variation in the growth rate is seen in the time of countrywide lockdown which not only forced domestic tourists to stay locked in their homes, but led to foreign tourists staying back in their countries due to ban on international flights. The state has geographical conditions which favors the cultivation of a large number of fruits and vegetables. Apple and potato are the two cash crops of the state. But during the pandemic storage as well as transportation of the fruits and vegetables grown in the state was not done timely due to restrictions imposed on transportation as a result economy of the state was affected badly. Economy of the state reached to its lowest level during the covid-19 pandemic period as the main sectors generating the employment and revenue in the state were badly affected. The Covid-19 outbreak has had a significant negative impact on economic activity and human health, and it has the most negative impact on the livelihoods of the most disadvantaged and underprivileged communities.

In order to ensure that people's lives are safeguarded, their livelihoods are secured, and the economy recovers, the unprecedented challenge posed by the COVID-19 pandemic demands for very immediate and decisive efforts. The government should be able to provide some sort of social security facilities to the poorest population, particularly when they lose their prospects for informal employment since the state's social security system coverage is inadequate. For example, promoting the poor's savings practices and granting them access to banking services would act as safety nets in times of adversity. Consolidated efforts are needed to reduce and reverse the COVID-19 negative effects on our society and economies because health, environmental, and social issues are interconnected.

To reduce the pandemic's negative effects on the most vulnerable and underprivileged members of society and to encourage economic recovery, the government should create a plan of action for accomplishing short, medium, and long-term objectives to revive the economy while taking into account the unique circumstances and requirements of the underprivileged and vulnerable groups at the state level. The medium-term emphasis should be on accelerating economic activity to revive the economy and on creating and implementing the appropriate stimuli to spur financial recovery. A balanced portfolio of physical, human, social, and natural capitals can be invested in to improve long-term productivity and resilience. This will increase capacity to handle future challenges and reduce the impact of upcoming pandemics and other socio-economic shocks. The short-term focus will be on addressing the effects of the pandemic and restoring jobs and employment. For instance, spending on health, education, skill improvement, innovation, technological advancement, alternative energy, and resources will boost the population's productivity and generate long-term benefits for future generations. Stimulating economic growth and making investments in the creation of new jobs in sectors where low-income and unskilled individuals can participate and benefit. In order to achieve sustainability, policy and investment decisions should be strategically planned so that they not only address immediate issues but also foster long-term adaptability, support the current scheme for reducing poverty and specific schemes for reducing poverty in asset creation and economic recovery.

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