
Structural Changes in the Economy of Himachal Pradesh:- Since 1970-71 to 2011.

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Abstract:-

In general any economy can be divided into primary, secondary and tertiary sector. The primary production included agricultural and pastoral production and in some versions, mining. Secondary production comprised manufacturing generally mining and as a rule construction. Tertiary industry consisted of transport and communication trade, government, personal and domestic service etc. The main aim of the paper is to study the gross domestic product (GDP) in India and to examine the sector wise structural changes in Himachal Pradesh. The study based on secondary data. The share of tertiary sector has also increased continuously from 24.76 per cent in 1970-71 to 40.4 per cent in 2010-11. Thus the percentage share of primary sector indicates a continuous decreasing tendency, whereas, contrary to it, the percentage share of secondary as well as tertiary sectors witnessed a continuous increasing tendency over a period of time with minor fluctuations in between. Thus the above changes in the

percentage contribution to gross state domestic product from primary to secondary and tertiary sectors clearly indicate the structural changes in the pattern of production which is a healthy sign of development in the state of Himachal Pradesh.

1.1 Introduction:-

Structural change and economic development are cause and effect on each other. In strictly economic terms, “development” has traditional meant the capacity of a national economy. Development can be defined as sustained economic growth with structural breaks in its overall rates of components pattern causal elements and sources for the same. In the literature on economic development the term development has been widely used no clear or agreed definition of development is understood to indicate Long term material improvements and flow of goods and services and on the other extreme it is supposed to bring changes in social cultural and political institutions and in the attitude of people. Inflect the combined effect of

the two extremes stated above determines the level of development. According to Drewnoski, "Development is a process of qualitative change and quantitative growth of the social and economic reality, which we can call either society or economy. Because of close relationship between economic and social elements, no pure social or economic development is possible. Consequently it is better not to speak of social development separately. It is a single process, which best called simply development. Economic development according to Meir and Baldwin is a process whereby an economy real national income increases over a long period of time. Colin Clark correlates economic development with wide ranging structural changes that inevitably experience by growing economies. Thus development is manifested in a secular rise in the per capita output in conjunction with changes in economic structure.

Kuznets has defined a country's economic growth as a *long term rise in capacity to supply* increasingly diverse economic goods to its population this growing capacity is based on advancing technology and the institutional and ideological adjustments that it demands.

Viner has associated the concept of economic growth with *equitable distribution of wealth*. According to him economic growth may

be interpreted to mean a sustained increase in per capita output accompanied by a reduction in the existing economic inequalities and on economic betterment of masses.

Morris has tried to measure development in terms of meeting the basic needs of the majority of the population or in terms of *quality of life*.

Schumpeter has explained the distinction between growth and economic development in a *technical and round about manner*. According to him development is discontinuous and spontaneous change in a stationery state which forever alters and displaces the equilibrium state previous existing while growth is gradual and steady in the long run which comes about by a general increase in the rate of saving and population.

1.2 Objectives:-

The main objectives of the study are following

- To study the gross domestic product (GDP) in India.
- To examine the sector wise structural changes in Himachal Pradesh.

1.3 Methodology:-

The study is based on secondary data. The secondary data collected from different government and individual publications. The study carried out through scanning of already existing literature on the concerned subject. The data collected from the various books, Journals, Census reports, newspapers, magazines and internet etc. Simple percentage method used in the study.

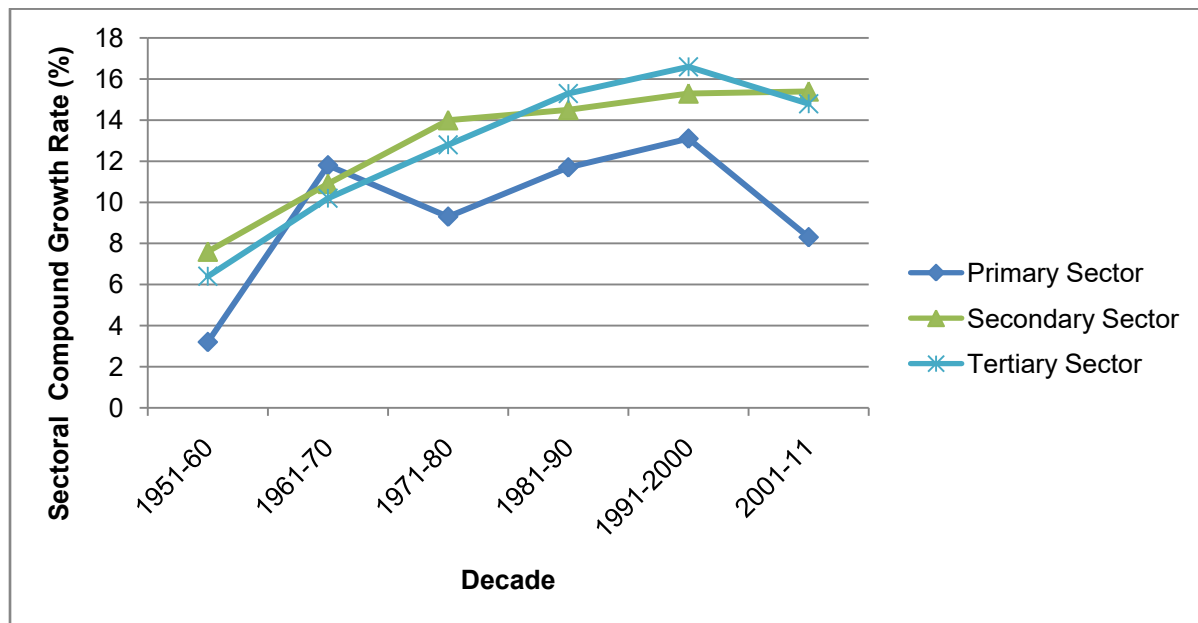
Result and Discussion:-

Figure 1.1 demonstrates the data pertaining to the compound growth rate (CGR) of

Primary, Secondary and Tertiary sectors during the period of 60 years (1950-51 to 2010-11). It is evident from the table that the compound growth rate of primary sector for the decade 1950-51 was 3.20 per cent per annum. It increased to 11.80 percent annually in the decade of 1961-70 which was highest during the whole study period. It was primarily on account of the green revolution that took place during this decade. Further it declined to 9.3 per cent per annum in the decade of 1971-80.

Figure 1.1

Sectoral Compound Growth Rate in India (1951-2011)



Source: Government of India Economic Survey 1971 to 2011, Ministry of Finance, New Delhi

Services sector plays a crucial role in the process of economic growth. A major

part of the total input in Primary and Secondary sectors has been provided by the tertiary sector. The shift in workforce from primary sector to tertiary sector was more than

that of secondary sector. There has also ample scope for labor absorption in this sector. Therefore, considering high potentiality of both employment and growth, it may be considered that the Services sector will play a crucial role in any economy.

India is among the fast growing economies in the world. According to the International Monetary Fund (IMF), in 2010, India's Gross Domestic Product (GDP) grew at 10.6 per cent compared to 10.4 per cent for China, an average growth rate of 9.7 per cent in developing countries within Asia and 7.5 per cent average growth rate in emerging and developing economies. Although growth rate slowdown substantially in 2011 to 7.2 per cent, it was still higher than the average growth rate of emerging economies 6.2 per cent.

During the first ten years of reforms, CGR of primary sector increased up to 13.1 per cent in 1991-2000, but thereafter it declined to 8.3 per cent per annum in 2010-11. Similarly the CGR of secondary sector, during 1951-60 was 7.6 per cent per annum. Thereafter secondary sector had shown an increasing trend in its CGR. In the first decade of economic reforms CGR of this sector increased to 15.3

per cent per annum and then marginally increased to 15.4 per cent in 2001-11. During the decade of 1951-60, the tertiary sector grew at the rate of 6.4 per cent per annum. Thereafter it continuously increased and was 16.60 per cent in the years 1991-2000. Thereafter it recorded a decline in its CGR and stood 14.8 percent per annum in 2001-11. The upshot of above analysis is that in the second decade of reforms, CGR of primary and tertiary sector of the economy had declined substantially.

figure-1.1 provides information regarding the compound growth rate (CGR) of the components of the services sector during 1950-51 to 2010-11. It is evident from the data cited in the table that during the pre-reform period (period prior to 1991) all the components of services sector have shown an increasing trend in their respective compound growth rates. In the year of 1951-60, the compound growth rate of Trade, Hotel and Restaurant was 6.60 per cent, it became double (12.6 per cent per annum) in 1961-70. During the first decade of reform period the CGR of Trade, Hotel and Restaurant was 17.10 per cent but in the next decade of 2001-11 it declined to 13.90 per cent annually.

Table.1
Changes in the Gross Domestic Product in India

Sr No.	Sector	1970-71	1980-81	1990-91	2000-01	2010-11
1	Primary	45.95	39.93	34.04	26.17	14
2	Secondary	20.50	22.03	23.24	23.51	19
3	Tertiary	33.55	38.04	42.72	50.32	67

Source: Government of India Economic Survey 1971 to 2011, Ministry of Finance, New Delhi

Table 1 shows that the share of primary sector decreased from 45.95 to 14 per cent in 1970-71 to 2010-2011. Share of secondary sector also decreased, But the share of tertiary sector increased from 33.55 per cent to 67 per cent in 2010-11. It shows that the most of the people are engaged in the service sector. The emerging structure of the Indian economy is characterized by tertiary sector led growth with continuously shrinking share of primary sector and nearly stagnant share of secondary sector. In such a situation, it is a high time to analyze the linkage dynamics of tertiary sector with other two sectors of the economy.

2. Structural changes in Himachal Pradesh

The economy of Himachal Pradesh economy at the time of statehood in 1971 was largely depend on agriculture. The primary sector had the loins share in Net state domestic product (NSDP) and employment. But with the pace of time as the process of development proceeded, the percentage contribution of primary sector to Net State Domestic Product (NSDP) decreased and that of secondary and tertiary sector increased. Therefore in the present chapter an attempt has been made to examine the sector wise composition of Net State domestic product and other changes which have occurred in these three broad sector viz. Primary sector, Secondary and Tertiary sectors. The relevant data on the share of primary, secondary and

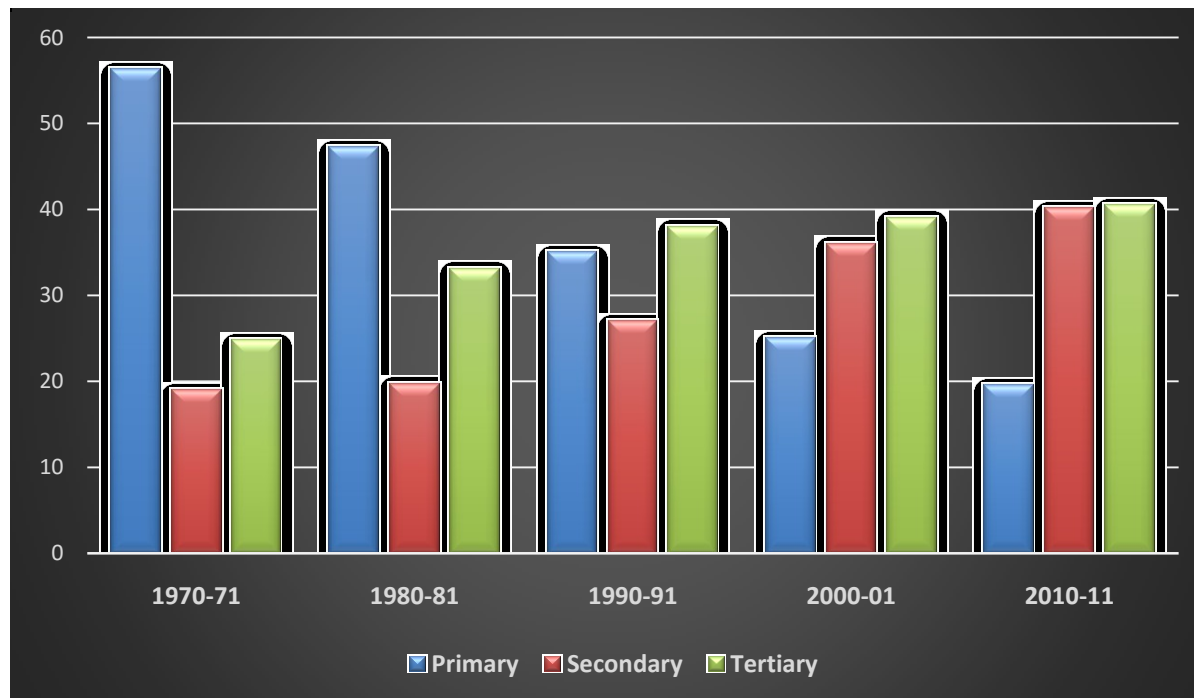
tertiary sectors in terms of percentage have been presented in the table:-2.1 contribution to state Domestic product (SDP)

Table 2.1
Changes in the State Gross Domestic Product at current prices in Himachal Pradesh

Sr No.	Sector	1970-71	1980-81	1990-91	2000-01	2010-11
1	Primary	56.29	47.20	35.00	25.00	19.5
2	Secondary	18.95	19.70	27.00	36.00	40.1
3	Tertiary	24.76	33.10	38.00	39.00	40.4

Source: Government of Himachal Pradesh, Department. of Economics and Statistics, Shimla .

Figure 1.2
sectoral contribution to gross state domestic products (1970-71 to 2010-11)



Source: Govt. of Himachal Pradesh, Deptt. of Economics Statistics, Shimla

It is clear from Table-1.2, that the share of gross state domestic product has been workout in different years. The share of primary sector declined from 56.29 per cent in 1970-71 to 19.5 per cent in 2010-11. Changes in the composition of output of primary sector primary sector includes agriculture, forestry, fishing as well as mining and quarrying state domestic product. These are the sub-sectors of primary sector. Agriculture forestry, fishing as well as mining and quarrying give different contribution in the state domestic product. Contribution of agriculture and animal husbandry decreased. It is clear from the table that the share of primary sector decreased in the net state domestic product at current prices.

The share of secondary sector has continuously increased from 18.95 per cent in 1970-71 to 40.1 per cent in 2010-11. Increasing the share of secondary sector reflects healthy sign of industrialization and modernization in the state. The main reason of increasing the share of secondary sector that fast technological development and continuously increasing supply of higher educate trained, skilled and efficient labour force.

The share of tertiary sector has also increased continuously from 24.76 per cent in 1970-71 to 40.4 per cent in 2010-11. Thus the

percentage share of primary sector indicates a continuous decreasing tendency, whereas, contrary to it, the percentage share of secondary as well as tertiary sectors witnessed a continuous increasing tendency over a period of time with minor fluctuations in between. Thus the above changes in the percentage contribution to gross state domestic product from primary to secondary and tertiary sectors clearly indicate the structural changes in the pattern of production which is a healthy sign of development in the state of Himachal Pradesh.

The main reason of increasing the share of tertiary sector that most of the educated and skilled people employed in that sectors and government spend more money on the construction of roads and transportation facilities.

The decade of 1970s witnessed very large contribution from the primary sector to the Gross State Domestic Product. It contributed 56.29 per cent of the total GSDP. The services sector (the terms 'services sector' and 'tertiary sector' have been used interchangeably in the present context) contributed next to the primary sector and the presence of secondary sector in the economy of Himachal Pradesh was small during the decade of fifties. Since then the share of primary sector in the GSDP has

declined gradually and came down to 19.5 per cent in the year 2010-11.

2.2 Agricultural Sector

Agriculture is one of the important activities of state economy. A large proportion of the population depends upon agriculture for their livelihood. This leading sector of the economy which comprises agriculture, horticulture and livestock production accounts for the largest single share in the state domestic product. The contribution of state domestic product from agriculture, horticulture and livestock production except government irrigation system is estimated by using the production approach which involves estimation of the gross value of products. Agriculture is the main occupation of the people of Himachal Pradesh. It provides direct employment to 69 percent of the total workers of the state.

2.2 (a) Cropping Pattern

A change in cropping pattern has been taking place in the state as elsewhere in the country. The shift in cropping system is normally advantageous and indicates a dynamic economy. The change depends upon the crops involved and the multifarious factors. The data

shown in table 2.2 give a broad crop-group-wise changing crop pattern in the state. Food crops include cereals, pulses, wheat, Maize and rice. The area under wheat crop was 317.7 thousand hectare in 1970-71 which to 366.59 thousand hectare in 2007-08. The area under total food grains 764.5 thousand hectare in 1970-71 increased to 811.98 thousand hectare in 2007-08. Area under Rice, Barely, Millets and other cereals and Ragi have decreased, whereas, the area under maize marginally increased. The area under ginger, rape and mustard, have increased but the area under sugarcane, linseed, searasum, tea and tobacco have decreased. The agro climatic conditions in the state are congenial for production of cash crops like ginger and off season vegetables. Prior to seventh plan the main emphasis was laid on increasing the production of cereals and production of cash crops through adoption of improved package of practices like use of high yielding varieties of seeds, fertilizers, plant protections measures and distribution of improved agricultural implements and soil and water conservation measures on agricultural land besides effective dissemination of technical know-how to the farmers.

Table 2.2
Area under Principal Crops in Himachal Pradesh

Crops	1970-71	1980-81	1990-91	2000-01	2007-08
A. Food Crops					
Cereals					
Wheat	317.7	377.1	376.3	362.7	366.59
Maize	257.3	299.5	319.1	298.1	300.15
Rice	103.9	90.8	84.9	81.5	78.57
Barely	40.4	34.2	29.3	25.6	23.51
Millets & Other Cereals	31.1	21.0	16.1	11.6	7.44
Ragi	14.1	6.7	5.9	4.1	1.85
B. Pulses					
Gram	27.3	6.9	3.4	1.4	1.45
Other Pulses	44.4	36.8	36.6	29.7	32.42
Total foodgrains	764.5	873.0	871.6	814.7	811.98
C. Other Food Crops					
Sugarcane	3.9	2.7	2.5	2.8	2.70
Ginger	1.8	2.2	1.5	2.3	2.27
Chillies	0.5	0.8	0.8	0.9	0.7
D. Non food Crops					
Mustard	4.6	6.9	8.7	8.5	2.70
Linseed	6.5	5.1	3.9	2.4	2.27
Sesamum	9.0	6.2	7.4	4.6	0.7
E. Other Non Food					
Tea	3.9	3.1	2.3	2.9	-
Tobacco	0.8	0.2	-	0.03	-

Source:Government of Himachal Pradesh Directorate of Land Records, Shimla.

2.2 (b) Changes in the Area under high yielding varieties (HYV's) seeds:

Keeping in view the vital dependence on agricultural sector a number of schemes and programmes have been launched from time to time in the last three decades in different parts of the state. The climatic conditions in many parts

of the state are not suitable for double cropping. Therefore, the only way left to drive maximum yield from a single crop. Among other measures therefore high yielding varieties programme was launched in the state and the programme earned popularity within a short span of time. The percentage change in area under HYV of seeds has been presented in the table 2.3

Table 2.3

Percentage Changes in area under HYV of seeds

Year	Maize	Paddy	Wheat	Total
1970-71	14.75	27.00	109.08	150.83
1980-81	74.00	70.66	269.29	413.95
1990-91	102.00	84.80	340.00	526.80
2000-01	219.68	73.83	329.77	623.28
2010-11	327.00	75.20	278.65	680.85

Source:Government of Himachal Pradesh, Directorate of Land Records, Shimla.

The table 4.5 shows that the area brought under high yielding varieties of principal crops maize, paddy and wheat. The production of maize was about 14.75 per cent area in 1970-71 and it increased about to 327.00 percentage of area in 2010-11. Production of paddy also increased from 27.00 percent area in 1970-71 to 75.20 percent area in 2010-11. Production of wheat also increased from 109.08 percent in 1970-71 to 278.65 percent area under HYV seed in 2010-11. The total production of these crops also increased from 150.83 percent area in 1970-

71 to 680.85 percent in 2010-11. The main reason of increasing the production of these crops was that high yielding varieties seeds such as use of fertilizers, insecticides pesticides etc.

2.3. Industrial Development in Himachal Pradesh

Himachal Pradesh being a hilly state with difficult geographical terrain has remained one of the lagging states of India with respect to some economic parameters. Himachal Pradesh has made significant achievements in the field of industrialization. The process of industrialization in state started during the eighties and gained momentum during the decade. Most of the people employed in the industries.

Table 2.4

Industrial development in terms of registered factories and estimated no of people in Himachal Pradesh

Years	No. of Registered Factories	Estimated No. of People Employed in Registered factories
1970-71	319	16398
1980-81	598	15444
1990-91	1341	36677
2000-01	2010	77620
2009-2010	3949	244944

Source:Government of Himachal Pradesh, Chief Inspector of Factories, Shimla.

Industrial development and estimated number of people employed in registered factories in 1970-71 to 2009-10. Table clearly shows that the number of registered factories increased from 319 in 1970-71 to 3949 in 2009-10. The number of employed engaged in this sector also shows an almost many fold increase over a period of time. However, despite this huge increase in the employment. Number of people employed in registered factories were 16398 in 1970-71 which increased to 244944 in 2009-10. There are many reasons to increase industries and employment in Himachal Pradesh. Since the sixth five year plan (1980-85) the Himachal government has been laying a great emphasis on the coordinated development of large, medium, small scale and cottage industries in the state. During the recent past Government

of Himachal Pradesh has come up with a number of industrial policies and all the policies aim at being in accordance with Industrial policy of the Government of India.

2.4 Infrastructural Facilities

(a) Banking

Banks in the state are playing predominate role to accelerating economic growth in the state economy and sharing the responsibilities to enhance the flow of institutional credit in all sector in accordance with the national priorities. The total number of bank branches in the state were 283 in 1970-71 which increased to 1053 banks in 2010. Credit deposit ratio has also increased from one decade to another decade. Credit deposit ratio was 24.41 percent in 1970-71 which increased to 39.86 percent in 2010.

Table 2.5
Number of Banks and Credit deposit ratio in Himachal Pradesh

Year	No. of Banks	Credit Ratio	Deposit
1970-71	283	24.41	
1980-81	329	28.61	
1990-91	733	33.4	
2000-01	782	22.0	
2010-11	1053	39.86	

Source: Government of India RBI Handout, Mumbai.

As regard financial inactivation Himachal Pradesh achieved the distinction of being the first state in the country to ensure

100% financial inclusion as on 1st January 2007. The state has also achieved nearly 100 percent credit inclusion by the end of June 2009.

(b) Transportation

Roads are the life line of the economy of the state. Existing transport system prevailing in the state comprises modes of transport etc. Road transport play a key role in socio-economic

development. The necessity of good network of roads is greater in a mountainous state like Himachal Pradesh where no development is possible without the construction of roads.

Table 2.6
Roads and Transportation in Himachal Pradesh

Year	Motorable Roads in Km	Road per 10,000 population in H.P
1970-71	7619	21.98
1980-81	12605	29.44
1990-91	17290	34.43
2000-01	22206	35.55
2010-11	33722	49.18

Source: Government of Himachal Pradesh, Public Works Department of Shimla.

Table clearly shows that the length of motorable roads increased over a period of time. The Length of roads in 1971 was 7619kms but it increased to 33722 km in 2010-11. Roads available per 10,000 of population has increased from 21.98 km in 1970-71 to 49.18 km in 2010-11. The state has shown unbelievable progress in the field of construction of roads throughout the state. The Length of motorable roads and their availability per given area and number of population have increased over the past few decades. Most parts of the state have difficult terrain, their development is not possible without roads and transportation. The government utilized more money and time in these difficult areas. The development of roads has been beneficial in quicker transportation of agricultural and horticultural produce thus

reducing the losses occurring due to the accumulation of such produce on account of inaccessibility of certain area through roads.

Conclusion:-

In India the share of primary sector decreased from 45.95 to 14 per cent in 1970-71 to 2010-2011. Share of secondary sector also decreased, But the share of tertiary sector increased from 33.55 per cent to 67 per cent in 2010-11. It shows that the most of the people are engaged in the service sector. The emerging structure of the Indian economy is characterized by tertiary sector led growth with continuously shrinking share of primary sector and nearly stagnant share of secondary sector. In such a

situation, it is a high time to analyze the linkage dynamics of tertiary sector with other two sectors of the economy. The share of tertiary sector has also increased continuously from 24.76 per cent in 1970-71 to 40.4 per cent in 2010-11. Thus the percentage share of primary sector indicates a continuous decreasing tendency, whereas, contrary to it, the percentage share of secondary as well as tertiary sectors witnessed a continuous increasing tendency over a period of time with minor fluctuations in between. Thus the above changes in the percentage contribution to gross state domestic product from primary to secondary and tertiary sectors clearly indicate the structural changes in the pattern of production which is a healthy sign of development in the state of Himachal Pradesh. The study shows that the share of tertiary sector increased in state and in National level.

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