



# MONTHLY THEME

# REVIVAL

# OF KASHMIR'S ECONOMY

VOL 1 | No. 27

GLIMPSES OF MONTHLY THEME

# SEPTEMBER 2023



# REVIVAL OF KASHMIR'S ECONOMY

J&K has seen a new dawn following the abrogation of article 370 since Aug 2019. The UT of J&K has undergone a number of changes. The government has divided the state into two Union Territories - Jammu & Kashmir (J&K) and Ladakh. This decision has led to a number of changes in the governance of the region, with focus being given to infrastructure development. Road connectivity has been improved, tourism infrastructure has been developed. Investment has been seen in the region promoting economic growth. Tunnels and highways have also been constructed to facilitate connectivity within and beyond the region. The government has implemented a wide range of socio-economic measures to foster development, including schemes for development of skills, creation of employment opportunities, promotion of various industries such as tourism, handicrafts, and more with a focus on strengthening the local economies and providing opportunities to the youth.

The government has declared its determination to facilitate the return of Kashmiri Pandits, an age-old segment of the Kashmiri community. Efforts have been made to create the necessary conditions for their safe repatriation and rehabilitation. Tourism showcasing the cultural heritage of the region has been highly promoted. Events and festivals are being held to demonstrate the rich cultural variety of the valley, thus drawing in tourists and positioning Kashmir as a desirable tourist destination. Following the changes in Jammu and Kashmir's status in 2019, the Government of India has worked to attract foreign investment in the region. The economic potential of the region has been highlighted and action has been taken to create a favorable investment environment.

The government has declared its determination to facilitate the return of Kashmiri Pandits, an age-old segment of the Kashmiri community. Efforts have been made to create the necessary conditions for their safe repatriation and rehabilitation. Tourism showcasing the cultural

heritage of the region has been highly promoted. Events and festivals are being held to demonstrate the rich cultural variety of the valley, thus drawing in tourists and positioning Kashmir as a desirable tourist destination. Following the changes in Jammu and Kashmir's status in 2019, the Government of India has worked to attract foreign investment in the region. The economic potential of the region has been highlighted and action has been taken to create a favorable investment environment.

## **Economy of Kashmir**

Union Territory of Kashmir is located in northern part of the country. It is a popular tourist destination globally. It offers a wide range of tourism options, from traditional recreational activities to more adventurous, pilgrimage-oriented, spiritual and health-oriented activities. The region's economy is largely services-based and agricultural-oriented.

With varied agro-climatic conditions, the scope for horticulture is significantly high in J&K. Food processing and agro-based industries (excluding conventional grinding and extraction units) thrive in the UT. J&K has an ideal climate for floriculture and an enormous assortment of flora and fauna. J&K has Asia's largest tulip garden. J&K is known for its handicrafts, which are renowned all over the world. The traditional handicraft sector is huge and has a lot of jobs and potential for export. The government has been giving a lot of importance to this sector. The UT area is also known for its small and cottage-based industries, like carpet weaving, silk, shawl, baskets, ceramics, copper, silverware, Papier-Mâché and walnut. Around 340,000 people work in the cottage-based handicrafts sector, which is a great source of income.

As of April 30, 2023, J&K had a total installed power-generation capacity of 3,516.07 MW, comprising 1,866.08 MW under central utilities, 1,543.17 MW (state utilities) and 106.82 MW (private utilities). Total exports from J&K stood at US\$ 89.77 million in FY 2022-23 (until August 2022).

## **Improvement in Economy post Abrogation of Article 370**

GDP of J&K is expected to grow by 10% in the next fiscal year, peaking at Rs. 30,727 crore, which is 10%

**The government has implemented a wide range of socio-economic measures to foster development, including schemes for development of skills, creation of employment opportunities, promotion of various industries such as tourism, handicrafts and more with a focus on strengthening the local economies and providing opportunities to the youth.**

higher than the previous year. During the previous financial year GDP was estimated to be around Rs. 2,30 lakh crore, which is a lot more than it was in 2022-23. <sup>[1]</sup> GDP is the total monetary value of all goods and services made in a country or state over a certain period of time. It's a great way to get an idea of how the economy is doing. At current prices, the Gross State Domestic Product (GSDP) of the Union Territory is estimated to be Rs. 2,31 trillion during the period 2018-2023. The UT's GSDP increased at a CAGR of 8.84% between 2018-19 and 2023-24.

The fiscal and gross domestic product (GDP) ratio for Jammu and Kashmir is projected to be 8.82 per cent for financial year 2022-23 with an increase from the previous year's 7.77 per cent. This indicates that tax collection is increasing in comparison to the GDP. The tax to GDP ratio is a measure of proportion of tax revenue to its Gross Domestic Product (GDP). The debt to GDP ratio for year 2022-23 is estimated to be 49 per cent. It places J&K in the second highest position in country, behind only Punjab with 53.3 per cent, followed by Rajasthan with 39.8 per cent, West Bengal with 38.8 per cent, Kerala with 38.3 per cent and the state of Andhra Pradesh with 32.4 per cent.

Despite odds, Jammu and Kashmir sustained the pace of development and expeditiously managed the expenditure both under the revenue and development side. The overall Gross State Domestic Product (GSDP) growth for the 2021-22 financial year (1st revised) was 14.64 per cent compared to the 2020-21 financial year. This reflects resilience of the economy, with government's focus on equitable growth across all sectors. The government expects economy to grow at a rate of 10 per cent. There was a notable increase in collections under Goods and Services Tax (GST), Excise and Stamp Duty with GST collection amounting to Rs 6666,04 crore up to February 2023 and the Stamp Duty collection increasing to Rs 438,88 crore, up from Rs 401,44 crore in the preceding financial year (2021-22). The excise collection amounted to Rs 1658,35 crore up until February 2023 of the current fiscal year (2022-23) compared to Rs 1443,07 crore during the preceding financial year. The Stamp Duty collection has increased by 14.92 per cent. <sup>[1]</sup>

Historically, most of the manufacturing activity in the state has remained restricted to the state's existing capacities in agriculture and handicrafts. With the passage of time, the policy makers and the industry continued cobbling many other relaxations that led to a multidimensional basket of industry incentives. At one point, the government offered a total of 14 incentives to the industry. But the delay in sanctioning of the incentives and the disbursement process could not create the desired results. Government expenditure on the industry sector as a percentage of the Gross State Domestic Product

(GSDP) was not significantly increased in past years and total capital expenditure for the industry sector decreased to Rs 114 crore for the financial year 2016-17, as compared to Rs 152.4 crore for the 2018. <sup>[2]</sup>

**GDP of J&K is expected to grow by 10% in the next fiscal year, peaking at Rs. 30,727 crore, which is 10% higher than the previous year. During the previous financial year GDP was estimated to be around Rs. 2,30 lakh crore, which is a lot more than it was in 2022-23.**

In the past there was a decrease in growth of investments due to terrorism, resulting in declining investment proposals in Jammu & Kashmir. A dramatic decrease in state's participation in new projects declared across the country from 4.3 percent in 2013-2014 to 0.02 percent in 2018-19 devastated its economy. However, historical data suggests that, with the exception of 2013-14, when the share of the state in total new investment proposals increased to 4.3 percent, the average has remained below 1 percent for the past 14 years from 1999-2000 to 2012-13, with an average of 0.8 percent due to which the economy could not grow much. <sup>[3]</sup>

### **Recent Govt led Initiatives boosting J&K Economy**

Major initiatives have been taken by the Government to promote Jammu & Kashmir as an investment destination. According to the Department for Promotion of Industry and Internal Trade (DPIIT), cumulative FDI inflow in J&K was valued at US \$07 million between October 2019 and March 2023. Under the State Budget 2023-24, Rs. 2,928.04 crore (US\$ 357.4 million) has been allocated for housing and urban development. Raw silk production stood at 98 MT in FY 2021-22 in Jammu & Kashmir.

In FY 2021-22, exports of drug formulations and biologicals from the union territory stood at US\$ 48.18 million, which accounted for 24.2% of the total exports. Total tourist arrivals to the UT reached 113.16 million in 2022. In 2021-22, total production of horticulture crops in the UT is expected to be 3,580.82 thousand metric tonnes. In 2021-22, the total production of vegetables and fruits in the state was estimated at 1,338.27 thousand metric tonnes and 2,237.87 thousand metric tonnes, respectively. <sup>[4]</sup>

In March 2022, the UAE pledged to invest Rs. 3,000 crore (US\$ 391.8 million) in J&K. J&K has an industrial policy that offers attractive incentives along with a single-window clearance mechanism. Land is allotted at concessional rates in industrial areas on lease for 90 years. National Highway Infrastructure Development Corporation (NHIDCL) is developing five tunnels in the UT at a cost of US\$ 3.42 million. The tunnels will have all weather access and will be completed by 2024. In FY 2023, 543 new projects with a total cost of Rs. 2,237 crore (US\$ 292.2 million) will be sanctioned with NABARD funding. <sup>[5]</sup>

An elevated light metro rail system is expected to be rolled out in 2022-23 and is likely to be completed in

2026. This will reduce the traffic congestion in Srinagar & Jammu. In April 2021, government of Jammu & Kashmir signed 456 memorandum of understanding (MOUs) with various firms for a potential investment worth Rs. 23,152 crore (US\$ 3.17 billion). In February 2021, Prime Minister Mr. Narendra Modi inaugurated the second Khelo India Winter Games in Gulmarg with the objective of making Jammu and Kashmir a hub for winter sports. In October 2020, construction work has started on the Zozila Tunnel at J&K. The tunnel will provide all-weather connectivity on NH-1 between Srinagar Valley and Leh and will bring about an all-round Jammu & Kashmir economic and sociocultural integration (UTs of J&K and Ladakh). It involves building a 14.15-km long tunnel under the Zojila pass on NH-1, linking Srinagar and Leh via Dras & Kargil.<sup>[6]</sup>

### **Measures Taken by Government to Promote UT Economy**

Several steps have been taken to enhance the per capita income of Kashmiris, some have been mentioned below:

#### **Ease of Doing Business**

The Government of Jammu and Kashmir has implemented measures to facilitate the conduct of business in the state. These measures include streamlining procedures, simplifying regulatory frameworks, and offering incentives to businesses. The aim of these measures is to reduce administrative burdens and create a more conducive environment for the conduct of business.

#### **Sector-Specific Initiatives**

The government has designated certain sectors for specific investment and development purposes. For instance, the government has focused on the promotion of tourism through the development of tourism infrastructure, the organization of events, and the promotion of the region's natural and cultural heritage. Furthermore, the government has placed emphasis on the development of horticulture, with the aim of increasing the production, processing and exportation of horticultural goods.<sup>[7]</sup>

#### **Special Economic Zones**

The government has proposed to establish Special Economic Zones (SEZs) in the UT of Jammu and Kashmir, which are designated areas with specific incentives and infrastructure designed to attract investment. The purpose of SEZs is to promote industrial development, create employment, and increase exports.

#### **Incentives and Subsidies**

The government has announced various incentives and subsidies to attract investment in Jammu and Kashmir. These include tax incentives, capital subsidies, and financial assistance for infrastructure development. The incentives are aimed at promoting industrial growth, entrepreneurship, and job creation in the region.<sup>[8]</sup>

#### **Investment Promotion**

The Government of India has initiated a range of initiatives and programs with the aim of encouraging

investment in the UT of Jammu & Kashmir. The objective of these initiatives is to draw in both domestic and international investors to the State. The aim is to highlight the business potential of the State in areas such as Tourism, Horticulture, Handicrafts, Agriculture, Renewable Energy, and Infrastructure Development.

### **Decrease in Terrorist Incidents**

The incidences of terrorism in Kashmir have decreased in recent years, as evidenced by government data and reports. This decrease can be attributed to a combination of security operations, intelligence collection, and counterinsurgency operations, as well as a decrease in the number of attacks, infiltration attempts and civilian fatalities caused by terrorists.

### **Security Operations**

The security forces in Kashmir have been carrying out counter-terrorism operations to neutralize terrorist organizations and dismantle their infrastructure. These operations consist of targeted attacks, intelligence-led operations and concerted efforts between different security agencies. The objective of these operations is to improve the security situation and reduce the impact and activities of terrorist organizations.

### **International Cooperation**

In order to combat terrorism in Kashmir, the Central Government has sought international collaboration. It has initiated negotiations with neighboring countries in order to combat cross-border infiltrations and cease the support of terrorist organizations operating in the region. International collaboration and intelligence sharing has been instrumental in containing terrorism and strengthening security measures.<sup>[9]</sup>

### **Conclusion**

Life in the valley is back to normal after three decades of chaos post abrogation of Article 370. Kashmir Valley, known for its snow-topped mountains and scenic lakes, attracted more than 16 million tourists in 2022, the most since independence in 1947.<sup>[10]</sup> Orchestrated stone pelting having roots linked to terrorism and separatism has dropped to zero by 2022, which was high till 2018 at 1,767. There were 52 such incidents in 2018 alone and none in 2023. The home ministry stated that tough anti-terrorism measures have dismantled the terror network, which has led to a big drop in recruitment of terrorists from 199 in 2018 to 12 so far in 2023.<sup>[11]</sup> The terror network has been taken down and stone-throwing and street violence has been put to rest. Following the implementation of all central legislation, including those concerning education, elections, reservations and electoral processes, Kashmiris are now enjoying the same rights as those of the rest of the country for the first time since Independence. Since 2019, the whole region has been going through an amazing period of peace, growth, and success. It's like life has gotten back to normal after 30 years of chaos. This has brought people from the area into the mainstream, which has stopped the bad intentions of the separatists and anti-nationalists. Due to these measures economy of the UT has revived and is growing rapidly. The art and play industry is also booming back in Jammu and Kashmir after Article 370 was removed.

