



KASHMIR

The Way Forward

March 2018

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Mr. Anil Khaitan
President

From President's Desk

Jammu and Kashmir, also known as the 'paradise on earth' offers some of the liveliest scenic beauty across the land. The state has agro-climatic conditions best suited for horticulture and floriculture. Horticulture is major provider of employment in the state. Leaving aside Ladakh which has little vegetation, the state of Jammu and Kashmir is richly endowed with forests and also with mineral resources.

The state government of J&K has announced Industrial Policy in 2016 which aims to attract substantial investment in industry which would create huge employment opportunities for the population in the state. The tourism sector in the state has immense potential of backward and forward linkages in terms of both income and employment generation and can contribute significantly to the economy.

Going ahead, the state must focus on its inherent strengths which are its key industries namely Agriculture and Food Processing, horticulture, floriculture, handloom and handicrafts, Sericulture, tourism, IT sector, MSMEs and the empowerment of youth.

I affirm PHD Chamber's support to the state government in fostering economic growth in the state and wish all the very best to the state government in their endeavours to upscale growth and development in the state in the coming times.



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Mr. Mushtaq Ahmed Chayya
Chairman

From Chairman's Desk Kashmir Committee

The state of Jammu and Kashmir, a Northern state in the Himalayas, is home to around 12.5 million people. The state is expected to register a growth of 8.5% during FY18. The state has a strong base of services sector as this sector contributes around 58% to the GSVA.

The state has a strong environment for the industries like Tourism, Handicrafts, Sericulture, Handloom, Horticulture, Food Processing and Agriculture. Priority attention has been paid to the traditional Handicrafts industry by the state government keeping in view its large employment base and export potential.

In addition to this Food processing and agro-based industries is one the most vibrant industries for the state economy due to an excellent climate for Horticulture and Floriculture and provide direct and indirect employment to thousands of workforce.

We appreciate the efforts of the state government to upscale the growth of its key industries by announcing various favorable policies and programmes. We look forward to further reforms in the state in the coming times.



Mr. Saurabh Sanyal
Secretary General

Acknowledgements

The report 'Kashmir The Way Forward' highlights the latest socio-economic developments in the state. This report includes current state of the economy, infrastructural developments, social indicators and analyses the impact of various policy measures on the economic growth of the state and suggests various measures to bolster industrialization in the states.

PHD Chamber has always aimed to be an important stakeholder in the development of the Northern, Central and Eastern states of India and the nation. The Chamber has always been working towards the development of the grassroots and will continue to contribute to growth of the state of Jammu and Kashmir.

I commend and appreciate the ardent PHD Research Bureau team led by Dr. SP Sharma, Chief Economist, Ms. Megha Kaul, Associate Economist, Ms. Abha Chauhan, Research Associate and Ms. Kriti Khurana, Research Associate for preparing this report.

We look forward to working in close coordination with the state government to contribute to the state's growth story.



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Abbreviations

GSDP	Gross State Domestic Product
GSVA	Gross State Value Added
RD	Revenue Deficit
GFD	Gross Fiscal Deficit
PD	Primary Deficit
PRD	Primary Revenue Deficit
RE	Revised Estimates
BE	Budgeted Estimates
FMCG	Fast Moving Consumer Goods
IT	Information Technology
ITeS	Information Technology Enabled Services
CIS	Capital Investment Subsidy
DoP	Date of Commercial Production
A	Advanced Estimates
CDR	Credit Deposit Ratio
BPL	Below Poverty Line
MIDH	Mission for Integrated Development of Horticulture
RKVY	Rashtriya Krishi Vikas Yojana
FPO	Farmer Producer Organization
GOI	Government of India
SLPC	State Level Project Committee
MSMEs	Micro Small Medium Enterprises
DDUGJY	Deen Dayal Upadhaya Gram Jyoti Yojna
PFA	Power For All



Executive Summary

Jammu and Kashmir's economy has witnessed a diverse trend during the past few years. The economy of Jammu and Kashmir has made a significant growth in the agriculture sector. The real Gross Domestic Product (GSDP) at current prices has increase from Rs. 78255 crore in FY2012 to Rs. 126231 crore in FY2017.

The average real GDSP of the state has grown at around 5.38% during FY2012 to FY2017. Services sector contributes a significant share of around 58% in the GSVA while the industry and agriculture sector contributes around 23% and 19% respectively. Per Capita Income of Jammu and Kashmir at current prices has witnessed a marginal increase from Rs. 73002 in FY2013 to Rs. 77918 in FY2017.

The state is focusing on promoting and developing Micro, Small, Medium and Large Industries in Electronics/IT/ITES, Biotech, Food Processing, Leather, Pharmaceuticals, Handicraft, Hi-Tech Floriculture, Tissue culture and other environmentally sustainable industries for employment generation.

The state has some of the best tourist spots and owing to its high altitude, it is home to a lot of Himalayan glaciers and rivers. Jhelum, Indus, Tawi, Ravi and Chenab are the major rivers flowing through the state. Important lakes in the J&K region are Dal Lake, Manasabal Lake, Nageen Lake and the Wular Lake. This has made state a major tourist destination on the world map. The total tourist arrival in Jammu and Kashmir was 7.3 million upto October 2017.

Going ahead, It is suggested that state should focus on its inherent strengths such as textiles (handloom, handicrafts and silk), sericulture, education, horticulture, floriculture, agriculture and allied sector, FMCG, tourism, IT industry among others.

We look forward to the effective policy interventions and strong reform initiatives that would pave the way to achieve a high and sustainable economic growth in the state in the coming times.



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Jammu and Kashmir



Jammu and Kashmir also known as Heaven on the earth is the northern most state of India. On the South and South-West lie the states of Punjab and Himachal Pradesh. It consists of three divisions -Jammu, Kashmir Valley and Ladakh. It has two capitals- Jammu, the winter capital and Srinagar, the summer capital.

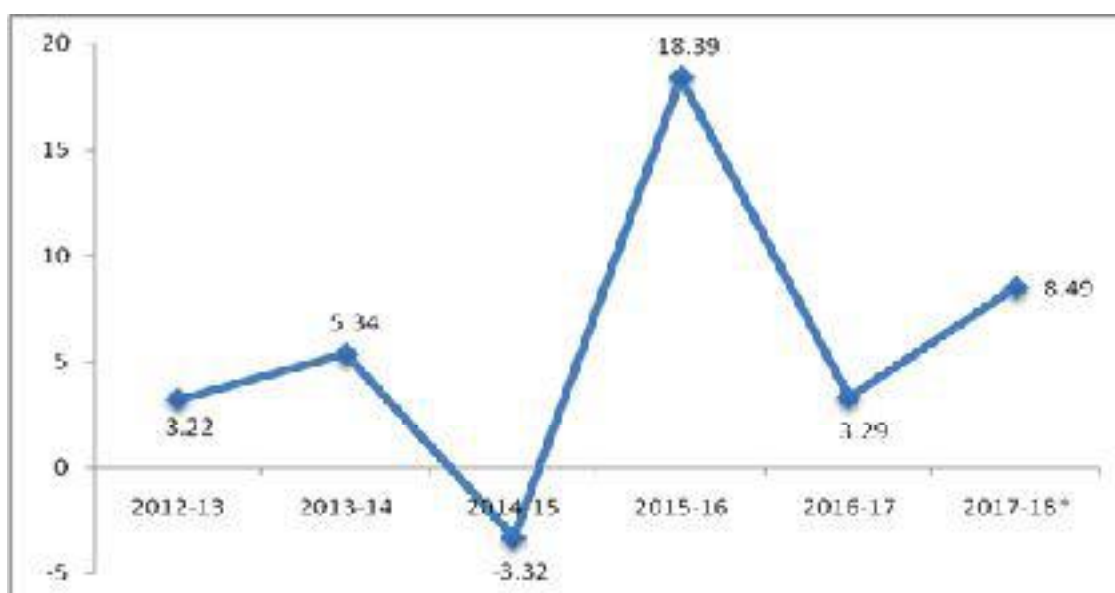
The state has some of the best tourist spots and owing to its high altitude, it is home to a lot of Himalayan glaciers and rivers. Jhelum, Indus, Tawi, Ravi and Chenab are the major rivers flowing through the state. Important lakes in the JandK region are Dal Lake, Manasabal Lake, Nageen Lake and the Wular Lake. There are 1230 water bodies in the State. Major tourist attractions in the state are Gulmarg, Sonmarg, Pahalgam, Leh, Patnitop, and Ladakh. Some of the major pilgrimage centers of the nation are located in the state, the two most important being the Amarnath Caves and the Vaishnodevi Shrine .The Dal Lake houseboats are one of the major attractions of Srinagar.

The unique climatic conditions found in state contribute to its diverse soil and vegetation. It is blessed with lush green forests, which forms one of the most important natural resources of the state. Numerous trees grow in these forests some of the valuable ones are: Chinar, Deodar, Poplar, Fir, Pine, Mulberry and Walnut. Some herbs with excellent medicinal value are also found in these forests such as Menthol, Digitalis, Rubus and Artemisia. These forests provide excellent shelter to the numerous rare species of animals and birds.

1. Structure of the economy

The state's economy has shown a diverse growth during the past few years. The real Gross Domestic Product (GSDP) at current prices has increase from Rs. 78255 crore in FY2012 to Rs. 126231 crore in FY2017. The real GSDP grew at 5.38% (average) during FY2012 to FY2017. The state economy is expected to register growth of 8.49% (advanced) during the financial year 2017-18.

Chart 1: Growth of Real GSDP



Source: PHD Research Bureau, Compiled from Economic Survey of Jammu and Kashmir 2017*Note : Data Pertains to Advanced

Tertiary sector contributes around 58% in GSVA followed by the secondary and primary sectors at around 23% and 19% respectively in FY2017. Share of primary sector has seen a minimal growth from 18.88% in FY2013 to 19.48% in FY2017. However the share of secondary sector has declined from around 26% in FY2013 to around 23% in FY2017. The share of tertiary sector after witnessing growth from around 55% in FY2012 to around 59% in FY2015, has again declined to around 58% in FY2017.



Table 1: State Domestic Product and its Composition

Components	FY 2013	FY2015	FY2017
GSDP at Current Prices (Rs. Crore)	87144	98332	126231
NSDP at Current Prices (Rs.)	73002	81002	77918
Economic Growth% (GSDP at factor cost , constant prices)	3.22	-3.32	3.29
Sectoral Contribution in GSVA at current prices (%)			
Primary	18.88	16.20	19.48
Secondary	25.86	25.27	22.88
Tertiary	55.26	58.54	57.63

Source: PHD Research Bureau, Compiled from Economic Survey of Jammu and Kashmir 2017

Table 2: Summary of Socio - Economic Indicators

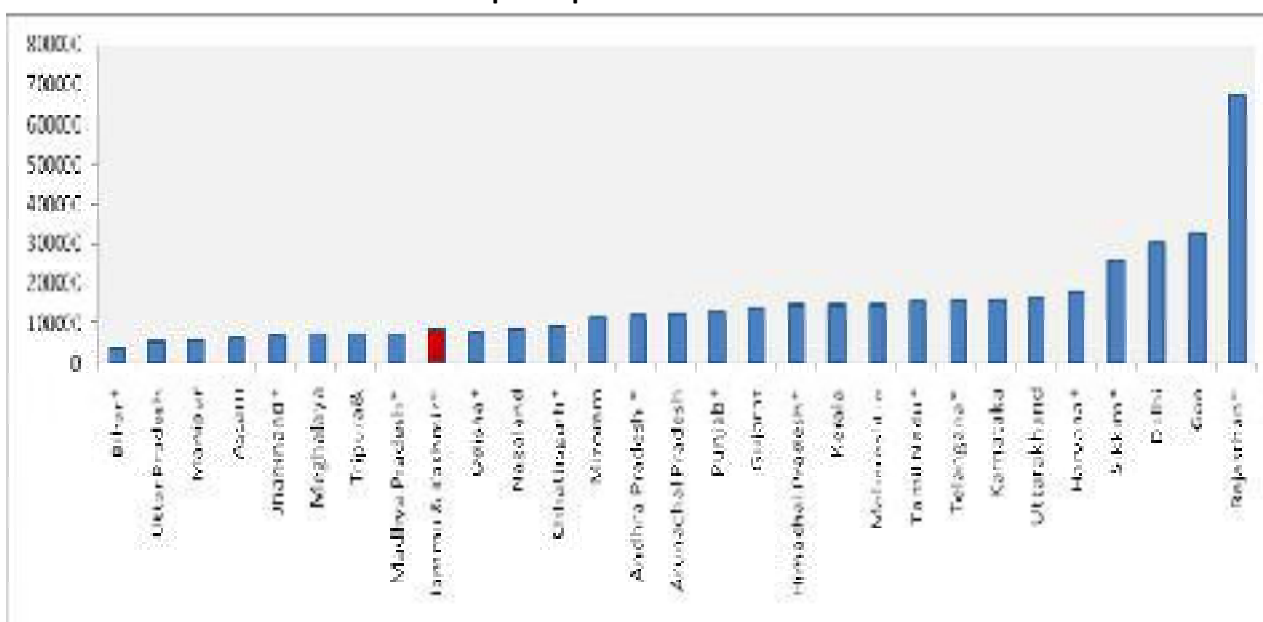
State Capital	Srinagar- (Summer)and Jammu- (Winter)
Area (Sq. km)	222,236
Population in million (Census 2011)	12.5
Population Density(Sq. Km) Census 2011	124
No. of Districts	22
GSDP at Current Prices (FY2017)	Rs. 126231 crore
Growth of GSDP at Constant Prices(FY2017)	3.29%
NSDP at Current Prices (FY2017)	Rs. 77918 crore
NSDP at Constant Prices (FY2017))	Rs. 61349
Growth of NSDP at Constant Prices(FY2017)	2.55%
Per capita GSDP (2017-18)	Rs. 65615
Fiscal Deficit (FY 2017)	8.8%
Poverty (2011-12)	10.35%
National Highway length (km)and	2,601
Domestic Airport	Jammu, Srinagar and Leh
Government Medical Institutions^	3752
Health Expenditure as a % of GSDP (FY2017)	0.66
Literacy Rate	67.16%
Infant Mortality Rate (FY2017)	24 per 1000 live births
Important Rivers	Jhelum, Indus, Tawi , Chenab and Ravi
Mountains	The great Himalayas, Karakoram, Ladakh, Hindu Kush, and Pir Panjal
Key Industries	Horticulture, Floriculture, handlooms and handicrafts, tourism, mineral-based industry, gems and jewellery, sericulture, IT and pharmaceuticals

Source : PHD Research Bureau, Compiled from Economic Survey of Jammu and Kashmir, 2017, Census 2011, Niti Aayog, *Data Pertains to February 2018; and Data Pertains to June 2017 ^Government Medical Institutions include District Hospitals, Primary Health Centres, Sub-Centres and Community Health Centres

Per - capita income

According to Economic Survey of Jammu and Kashmir, 2017 the per capita income during 2017-18 at constant 2011-12 prices (NSDP) is estimated at Rs.65615 while the per capita income of Rs. 61349 was registered in financial year 2016-17. The per capita income during 2017-18 at current prices is estimated at Rs. 86108 while per capita income during 2016-17 stood at Rs. 77918 at current Prices.

Chart 2: Pattern of per-capita income of the Indian states



Source: PHD Research Bureau, Compiled from Economic Survey 2017-18 *Data pertains to FY2017; and Data pertains to FY2015. Note: Data for West Bengal is not available

Fiscal Deficit

The situation of fiscal scenario in J&K has improved over the years as a result of efforts being made in this direction. Gross Fiscal Deficit of Jammu and Kashmir as a percentage of GSDP has increased to 8.8% in FY2017 as compared to 5.6% in FY2015. Revenue deficit has witnessed a decline to -4.6% in FY2017 as compared to 0.4% in FY2015. Primary deficit has witnessed an increasing trend to 5.2% in FY2017 as compared to 2.1% in FY2015. Primary Revenue Deficit as also witnessed a negative trend to -8.2% in FY2017 from -3.1% in FY2015.

Table 3: Fiscal Indicators (Per cent)

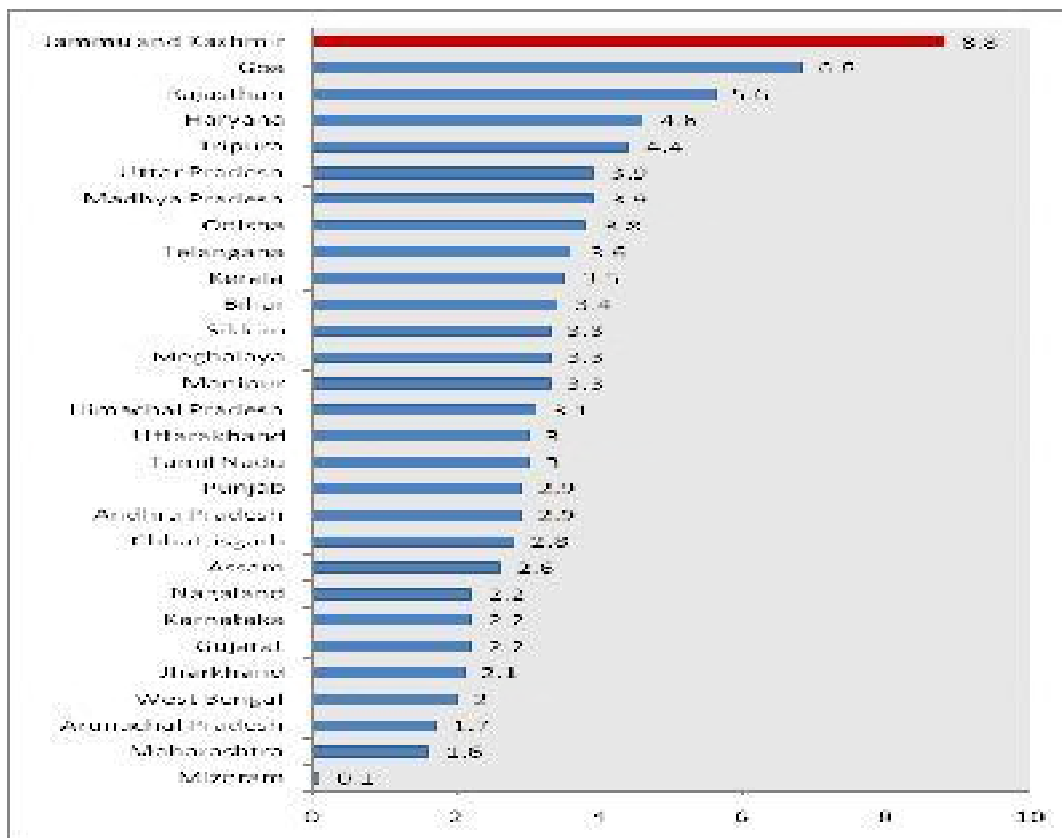
Fiscal Components	2014-15	2015-16(RE)	2016-17(BE)
RD/GSDP	0.4	-3.6	-4.6
GFD/GSDP	5.6	7.1	8.8
PD/GSDP	2.1	3.9	5.2
PRD/GSDP	-3.1	-6.8	-8.2

Source: PHD Research Bureau, Compiled from RBI

Comparison of fiscal position with other states

Gross fiscal deficit of Jammu and Kashmir was around 7.1% on an average during the period FY2015 and FY2017. Gross Fiscal Deficit of the state is higher as compared with other states like Goa (6.8%), Rajasthan (5.6%), Haryana (4.6%) Tripura (4.4%), Uttar Pradesh (3.9%) and Odisha (3.6%).

Chart 3: Comparison of Gross Fiscal Deficit as a % of GSDP



Source: PHD Research Bureau, Compiled from RBI; Data pertains to FY2017

Industrial Investments

Jammu and Kashmir has attracted industrial investment proposals of around Rs. 3397 crores in past five years. State has rich resources of water, agro, forests, herbal, and minerals in addition to its unparalleled natural beauty with tremendous potential for investments in tourism sector.

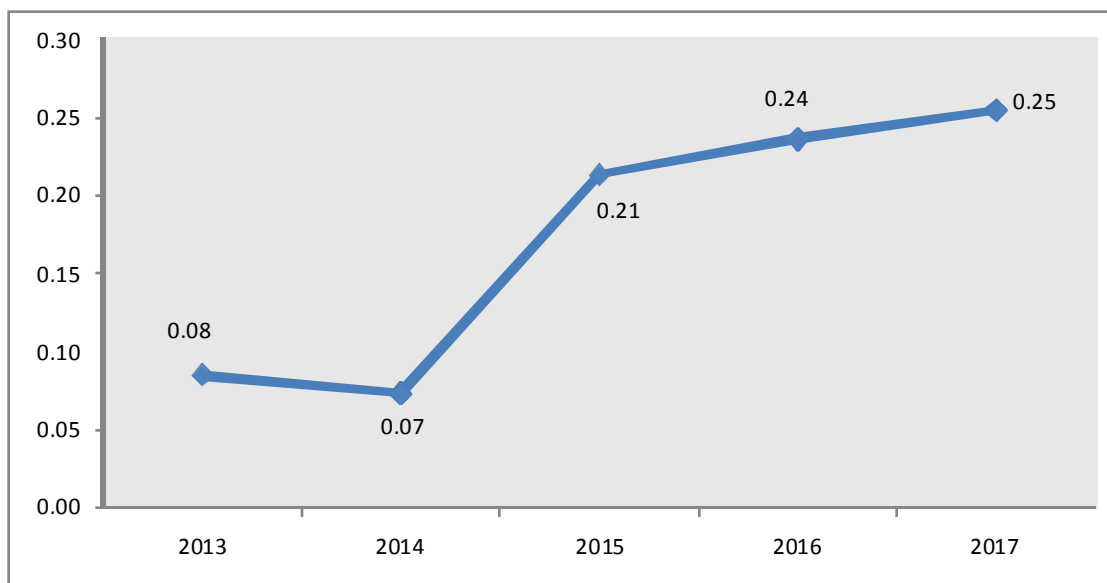
Table 4: Industrial Investments proposals in J&K (Rs Crore)

Year	Jammu and Kashmir	India	Share of Jammu Kashmir (%)
2013	450	530086	0.08
2014	297	405027	0.07
2015	663	311031	0.21
2016	979	414086	0.24
2017	1008	395296	0.25
Total	3397	2055526	0.17

Source : PHD Research Bureau, Compiled from Department of Industrial Policy and Promotion, Government of India

The industrial investments in Jammu and Kashmir has increased during recent years, it increased to Rs. 1008 crore in 2017 from Rs. 450 crore in 2013. This is around 0.17% (average) of total investment in India.

Chart 4: Industrial Investments (as % of India's total industrial investments)



Source : PHD Research Bureau, Compiled from Department of Industrial Policy and Promotion, Government of India

Investment Incentives in Jammu and Kashmir

The State Government notified and issued new Industrial Policy 2016. The Policy envisages to attract substantial investment especially in high potential areas of food processing, leather, pharmaceuticals, wood based like sports goods/bats/willow wicker, high grade raw silk, woolen fabrics, computer/electronics and information technology. The Policy anticipates creating a new land bank of 20,000 kanals¹ across the state with emphasis on locations outside the urban areas and envisages attracting an investment of Rs 20,000 crore over the period of next ten years.

Table 5: Incentives to industries at a glance

S. No.	Incentive	Upto 2015-16		During 2016-17		During 2017-18 (ending October 2017)		Total	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	100% Subsidy On DG set	1579	5313.34	161	527.53	47	212.62	1787	6053.49
2	30% Capital Inv. Subsidy	482	2634.08	11	66.09	3	8.8	496	2708.97
3	3%-5% Interest Subsidy on Working Capital	1288	1612.82	4	24.63	0	0	1292	1637.45
4	100% Project Report Subsidy	64	20.15	1	1.23	1	0.1	66	21.48
5	ISO 9000/ISI Marks Free Sub.	20	34.91	0	0	0	0	20	34.91
6	100% Testing Equip. Subsidy	367	2092.52	27	152.08	12	127.08	406	2371.68
7	Toll Tax Sub. (SICOP)	9	207.06	0	0	0	0	9	207.06
8	VAT Remission		13831		2510		2520		18861
Total			25745.88		3281.56	63	2868.6		31896.04

Source: PHD Research Bureau, Compiled from Economic Survey of Jammu and Kashmir 2017

2. Industrial Policy

Keeping in view the fact that the state of Jammu and Kashmir has made substantial progress in industrial development during the last four decades, a need has been felt to further strengthen the interventionist strategies and boost investor's confidence by refining and simplifying the procedures related to land allotment, grant of incentives and putting in place a workable exit mechanism for the sick industries. The objective the Kashmir's State Industrial Policy-2016 is to build on its strengths, overcome its weaknesses and create

¹ Kanal is a unit of area equivalent to 505.86 sq. meters or 5445 sq. feet.



employment opportunities for its people by attracting substantial amount of investment.

Highlights of the Industrial Policy

- To attract investment of Rs 20,000 crore in the industrial sector over a period of 10 years upto 2026.
- To promote and develop Micro, Small, Medium and Large Industries in Electronics/IT/ITES (Information Technology Enabled Services)/Hi- Tech, Biotech, Food Processing, Leather, Pharmaceuticals, Handicraft, Hi-Tech Floriculture, Tissue culture and other environmentally sustainable industries for employment generation and higher contribution of the industrial sector to the Gross State Domestic Product (GSDP).
- To provide additional incentives from the State package for Micro and Small Industries under the Capital Investment Subsidy (CIS) for the new units in Zone-B districts @ 10% of the Capital Investment in plant and machinery (subject to an upper ceiling of Rs 20 lacs).
- Prestigious/ Mega units in thrust industries shall be provided 75% Subsidy on the cost of construction of captive tube well or building a Captive Water lifting Plant subject to a limit of Rs 30 lacs.
- In order to attract more investment in the industrially backward districts in Zone 'B' the interest subsidy on working capital for existing and new Industrial units in Zone-B shall be enhanced from the present rate of 3% to 5% subject to a ceiling of Rs 15 lacs per year for a period of 5 years from the date of commercial production (DoP).
- Industrial units shall be encouraged to undertake rain water harvesting, waste water recycling, and zero discharge process/solid waste management. For this purpose, 50% subsidy on the expenditure incurred on the equipment subject to the limits by the State Government and subject to the condition that capital investment subsidy has not been already claimed on this investment.
- An entrepreneur and skill development fund shall be created for incorporating entrepreneurial skills to the local youths for sustained industrial growth in the state.



Exports

The state is a major exporter of walnuts, handicrafts and handloom products, rice, saffron, and horticulture produce. The percentage share of the exports in the GSDP of the state for the year 2016-17 was 0.7%². Jammu and Kashmir is the main hub of commercial production and exports of walnuts from India. Besides this it is a leading exporter of pashmina and raffle shawls which are recognized the world over. The total exports of shawls from the state contributed to 2.4% in India's total exports of shawls while the exports of shawls from the state formed a share of 14% in the state's total exports in 2016-17. There is an emerging export enhancement strategy including identification of focus markets and focus products such as Basmati Rice, Saffron, Handicrafts and Handloom products and Horticulture produce.

Table 6: Value of Exports from J&K (Rs. Crore)

S.No	Financial Year	Value of exports from J&K
1.	2007-08	349
2.	2008-09	390
3.	2009-10	433
4.	2010-11	405
5.	2011-12	622
6.	2012-13	722
7.	2013-14	1043
8.	2014-15	940
9.	2015-16	813
10.	2016-17	791
11.	2017-18	341

Source: PHD Research Bureau, Compiled from Draft J&K trade policy

Agriculture

The economy of the state is largely agrarian with about 70% of the population dependent on it. The contribution of agriculture sector is 19.48% to the GSDP. At constant 2011-12 price, agriculture and allied sector is likely to grow at 8.37% in the year 2017-18 (A) as compared to growth rate 2.49% in 2016-17³. Basmati rice, oilseed, pulses, fruits like- apples, walnuts, cherries, pear, almond are produced in huge number in the state. Apple production in the state reached 1.73 million metric tonnes in 2016-17. The diverse climatic zone in the

² J&K trade policy 2018-28 (draft)

³ Economic Survey of Jammu and Kashmir 2017



state gives ample opportunity for horticulture and to cultivate crops like saffron which are unique for the state.

Table 7: Summary of agro statistics

S. No	Components	Growth/Ratio/Production
1	Agriculture GSDP at Current prices (FY2016)	Rs 1244373 lakh
2	Growth of Agriculture & Allied Sector (FY2018)	8.37% (A)
3	Agricultural and allied sector's contribution in GSDP (FY2017)	19.48%
4	Food Grain production (FY2015)	957.3 (Thousand Hectare)
5	State's contribution to national food grain production (FY2011)	0.5%
6	Yield --total food grains (FY2015)	1275 (Kgs/Hectare)
7	Area covered under Micro Irrigation (Drip and Sprinkler) (2016)	85 (Hectare)
8	Population dependent on agriculture	70%
9	Rice Production (FY2015)	517.2 (Thousand Tonnes)
10	Wheat Production (FY2015)	314.3 (Thousand Tonnes)
11	Coarse Cereals (FY2011)	379.5 (Thousand Tonnes)
12	Pulses (FY2015)	9.2 (Thousand Tonnes)
13	Oil Seeds (FY2015)	40.4 (Thousand Tonnes)
14	Fruits (FY2009)	22.35 (Lakh metric tonnes)

Source: PHD Research Bureau, Compiled from various sources

Jammu and Kashmir's food grain production has shown fluctuating growth during the last decade. During FY2005, food grain production of Jammu and Kashmir was 1499 thousand tonnes, which has increased to 1777.9 thousand tonnes in the FY2014. For the FY2015, the food grain production was recorded at 1220.3 thousand tonnes.

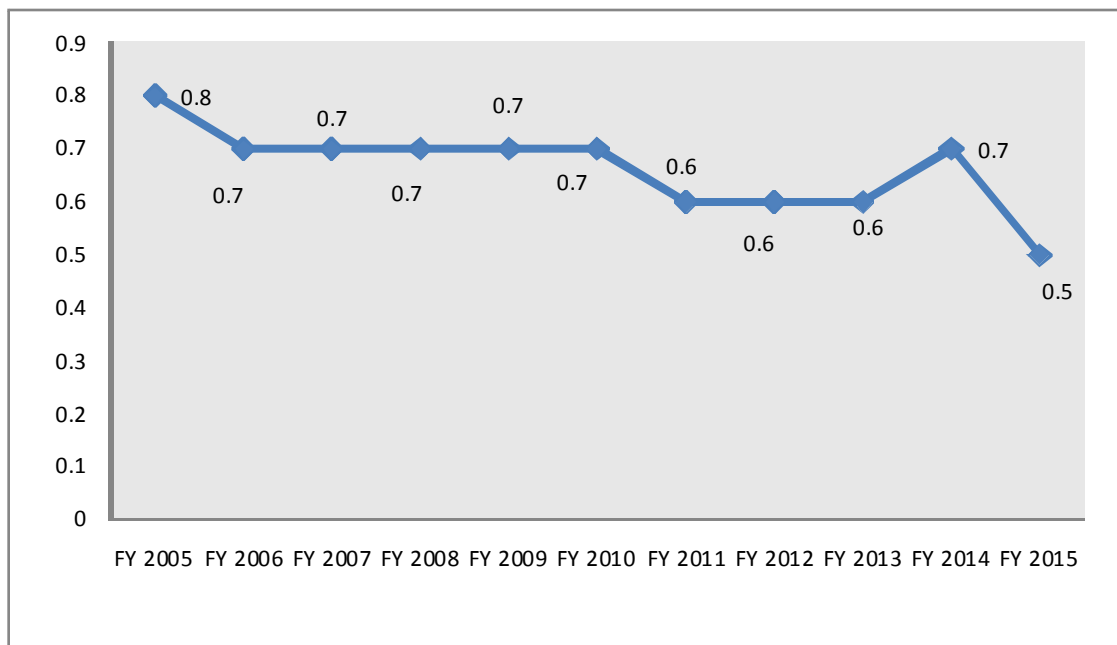
Table 8: Foodgrain production in Jammu and Kashmir

Year	Jammu and Kashmir (Thousand Tonnes)	India (Million Tonnes)	Share of Jammu and Kashmir in India (%)
FY 2005	1499.0	198.3	0.8
FY 2006	1482.0	208.6	0.7
FY 2007	1572.7	217.2	0.7
FY 2008	1572.1	230.7	0.7
FY 2009	1721.3	234.4	0.7
FY 2010	1314.2	218.1	0.7
FY 2011	1521.6	244.4	0.6
FY 2012	1586.3	259.2	0.6
FY 2013	1831.9	257.1	0.6
FY 2014	1777.9	265.0	0.7
FY 2015	1220.3	252.0	0.5

Source: PHD Research Bureau, compiled from RBI

Due to hilly terrain, food grains cannot be cultivated on very large areas in Jammu and Kashmir. Further the yield per hectare is also relatively low in the state and the share of Jammu and Kashmir in India's food production has been at around 0.6% over the last few years.

Chart 5: Share of Jammu and Kashmir in India's food grain production (% share)



Source: PHD Research Bureau, compiled from RBI

Horticulture and Floriculture

Jammu and Kashmir is home to some world famous varieties of fruits, dry fruits, honey and saffron. The state has agro climatic conditions best suited for horticulture and floriculture. Horticulture is one of the most vibrant sectors for the state economy. This sector provides direct as well as indirect employment to the state population as around 7 lakh families comprising of about 33 lakh people are directly or indirectly associated with horticulture. As per the horticulture census 2016-17, apple being the most important fruit crop of Jammu and Kashmir, covers 48% of the state's area.

Jammu and Kashmir also has ideal climatic conditions for floriculture and has been one of the most focused segments of horticulture in view of its vast



potential in the state. A large variety of flowers is grown in the state for both domestic and international markets. Jammu and Kashmir has Asia's largest tulip garden, established by the State Floriculture Department.

Jammu and Kashmir is a major producer of apples but during the last five years production in state has declined from 1852.4 thousand metric tonnes in FY2011 to 1170.3 thousand metric tonnes in FY2015. FY2014 showed an increase in the production of apples to 1700 thousand metric tonnes.

Table 9: Apple production of Jammu Kashmir (Thousand Metric Tonnes)

Year	Jammu and Kashmir	India	Share of J&K in India's Apple production
FY 2011	1852.4	2890.6	64.1
FY 2012	1756.1	2203.3	79.7
FY 2013	1348.1	1915.4	70.4
FY 2014	1700.0	2497.7	68.1
FY 2015	1170.3	1921.7	60.9

Source: PHD Research Bureau, Data compiled from various sources

Services

The services sector witnessed the fastest growth in Jammu and Kashmir during 2004-05 to 2015-16, with a CAGR of 12.2%. The growth of the services sector was driven by trade, hotels, real estate, finance, insurance, communications, transport and other services. The services sector is likely to grow at 12.39% in the year 2017-18(A) as compared to growth rate 6.87%⁴ in 2016-17.

IT and ITes

The IT industry, an emerging sunrise industry in the state has tremendous potential for growth and is emerging as an important sector in transforming the socioeconomic lives of the people. The Major achievement by the IT department during the year 2014-15 included incorporation of the State Data Centre (SDC) under National e-Governance Plan (NeGP) and establishment of IT parks at Ompura, Budgam to give a push to IT activities in the state, among others.

⁴ Data pertains to Economic Survey of Jammu and Kashmir, 2017



Banking

Banking services play an important role in ushering economic development by mobilizing financial resources. Banks have become the back bone for the development of the economy on all parameters in any state. Banking structure in Jammu and Kashmir consists of commercial banks, Regional Rural Banks and co-operative banks.

Jammu and Kashmir boasts of growing network of various categories of banks operating in the state. There are almost 2000 branches of different categories of banks in Jammu and Kashmir with more than 1500 branches of total scheduled commercial banks. Total scheduled commercial banks contribute more than 85% of the total number of branches.

Table 10: Network strength of various categories of Banks operating in J & K

Bank Group	No. of branches	
	March 2016	September 2017
A(i) Public Sector Banks	481	482
A(ii) Private Sector Banks	887	925
A(iii) Regional Rural Banks	350	337
A: Total Scheduled Commercial Banks	1718	1744
B: Central/ State Co-operative Banks	266	269
C: Other Financial Institutions (SFC)	14	14
Total (A+B+C)	1998	2028

Source: PHD Research Bureau, compiled from J&K Economic Survey 2017-18

The business performance of banks is generally measured in terms of credit deposit ratio (CDR). The credit deposit ratio was recorded to be 47.21% in 2017 as against 35.57% in 2011. Highest credit deposit ratio of 49.11% was witnessed during 2016 and as on September 2017, it has been registered at 47.21%.

Table 11: Deposits, Credits and Credit Deposit Ratio

(Rs. crore)

Year (As on 31 March)	Bank Branches	Deposits	Advances	Credit-Deposit Ratio
2011	1302	45695	16252	35.57
2012	1449	55144	18949	34.36
2013	1638	64480	23542	36.51
2014	1893	72767	34398.9	47.27
2015	1936	78977.67	36508.41	46.23
2016	1998	86232.35	42348.25	49.11
Sept 2017	2028	101200.70	47779.42	47.21

Source: PHD Research Bureau, compiled from J&K Economic Survey 2017-18



Tourism

Kashmir is known as the paradise on earth because of its numerous scenic spots of attractions and beautiful weather. During 2015-16, the foreign tourists visiting to Jammu and Kashmir were recorded to be 58,568. Tourism has emerged as an important sector and is a major contributor to Jammu and Kashmir's economy. The tourism sector has immense potential of backward and forward linkages in terms of both income and employment and can contribute significantly to the economy.

Jammu is famous for its temples while Kashmir valley is known for its scenic beauty. The other important aspects of tourism potential is the existence of shrines, monasteries cave temples in the three regions of the state. Tourism accounts for around 6.98% of State's GDP and as per the state budget 2015-16, the Government of Jammu and Kashmir allocated US\$ 16.22 million for tourism in the state. The government of Jammu and Kashmir has been taking various initiatives and has been developing various tourist attractions such as golf circuit, ropeways, and wayside amenities en route to various destinations besides upgrading tourist infrastructure.

3. Infrastructure

The importance of infrastructure for sustained economic development and improving the living standards of the population is well recognized. Yet, millions of people, across the world lack access to roads, transport, electricity, safe drinking water, and proper sanitation and communication facilities. Inadequate and inefficient infrastructure not only adds to transaction costs but also prevents the economies from realizing their full growth potential.

The socio-economic development of the State is directly related to the efficient road network system, as it facilitates access to tertiary care Hospitals, District Hospitals/Sub- District Hospitals, working places, tourists' destinations etc. Besides, it also helps in transportation of goods and services in reaching the market places in time which fetches income to the farmers for their produce and helps in the growth of the economy.

Roads -- The state being dominated by undulating topography, road is the prime means of transport. The total expenditure on roads, buildings, transport & communication (Capital) is Rs. 13.22 crore in 2016-17 .Well maintained road network is important for economic development of an area. As such it has been endeavor of the Government to maintain existing road infrastructure in the state.

Table 12: Road Infrastructure

Category of Road	Road length (km)^
National highways	2,601
State highways*	79
Total road length*	37,024

Source: PHD research Bureau, Compiled from IBEF;*Data pertains to December 2015 ;^ Data Pertains to as of June 2017

Under Central Road Fund Scheme which is primarily focused for development of State Roads including Roads of Inter State Connectivity and Economic Importance. 230 schemes at an estimated cost of Rs 3262.18 Crore stand sanctioned since the inception of the programme in 2000-01. An amount of Rs. 2235.28 Crore has been incurred upto October, 2017 which includes Rs 102.19 Crore of current fiscal 2017-18 and 72 schemes have been completed ending October 2017.

Railways -- Due to its predominantly mountainous terrain, Jammu and Kashmir is linked with the country's rail network up to the Udhampur district. The rail link of 53 kilometers Jammu-Udhampur, 25 kilometers Udhampur-Katra and 119 kilometers Banihal-Baramulla links of Jammu-Srinagar-Baramulla line have already been completed and are functional. Katra-Banihal is the only missing link between Jammu- Baramulla.

The rail links would provide all-weather and reliable connectivity to Jammu and Kashmir, including remote areas, from the rest of the country. With the completion of approach roads, more than 73 villages would get connected, thereby providing road connectivity to about 147,000 people. Of the 262 km of approach roads to be constructed, 145 km have been completed and 29 villages have been connected.



Civil Aviation -- The State of Jammu and Kashmir nestles between the lofty Himalayas to the North and Northeast, down to the plains bordered by the Ravi River to the South and the Southeast. Because of the varied terrain in the state, surface communications are long and arduous and the need had been felt for long to have an aviation organization set up under the direct control of the State Government. The main objective of the Civil Aviation Department (CAD) is to provide safe, efficient and coordinated air service to the J&K state VIPs, officials and visiting dignitaries from outside the state as per orders and instructions received from the state government.

The air travel in the state connects all the three regions of the state which include: Srinagar, Jammu and Leh. The Sheikh-ul-Alam Airport at Srinagar is a major international airport. Jammu and Leh have domestic airports in the state. The state also has an airport in Kargil, which is served by Dikota service.

Electricity--The state of Jammu & Kashmir is bestowed with huge hydro electric energy potential which if exploited fully will provide a strong thrust to economy of the state. However, it demands huge investments, technical expertise, administrative reforms, congenial environment, proper regulations and management besides competitive marketing, policy formation and private participation.

The optimal exploitation of the available hydel resources in the state would not only meet the state's demand but will ensure supply of power to northern grid to boost the overall development of the country.

The estimated hydro power potential of the state is 20,000 Megawatts (MW), of which about 16475 MW have been identified. Out of the identified potential, only 3263.46 MW i.e. 20% has been exploited till now which comprises 1211.96 MW in State Sector, 2009 MW in Central Sector and 42.5 MW in private sector.

Urban Infrastructure -- Urban infrastructure services include water supply, sanitation, drainage, solid waste management etc. Development of Urban Infrastructure and Governance (DUIG), a central project launched under the flagship programme JNNURM, among other things, envisages to improve the infrastructure in the water supply sector in capital cities viz Srinagar and

Jammu. Under this mission, water supply projects, Tangnar and Sukhnag, were taken up in hand with the financial assistance of Rs 148.37 crore and Rs 121 crore respectively.

Telecom -- According to Telecom Regulatory Authority of India, Jammu & Kashmir has around 12.99 million wireless subscribers and 119,332 wire-line subscribers with a teledensity of 103.81% as of November 2017. As of September 2017, the state of Jammu & Kashmir had 4.78 million internet subscribers.

Table 13: Telecom subscriber base

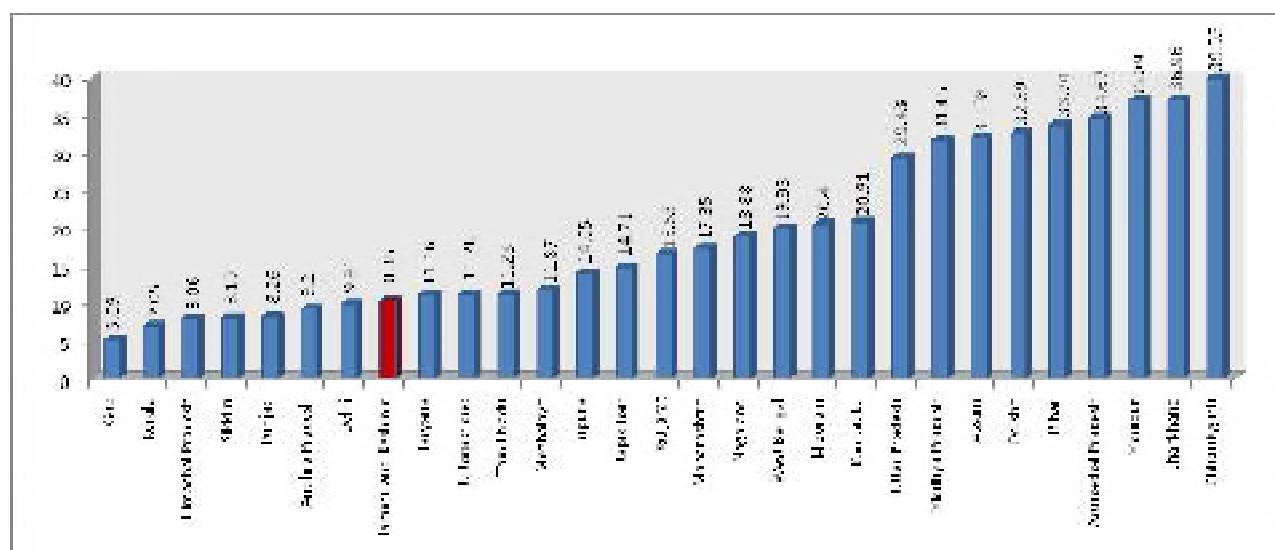
Name of the Region	Wireless subscriber	Internet subscriber
Jammu & Kashmir	12997001	4780000
India	1162470432	429233552
Share of Jammu & Kashmir in India	1.11%	1.11%

Source: PHD Research Bureau, Compiled from various sources

4. Social Infrastructure

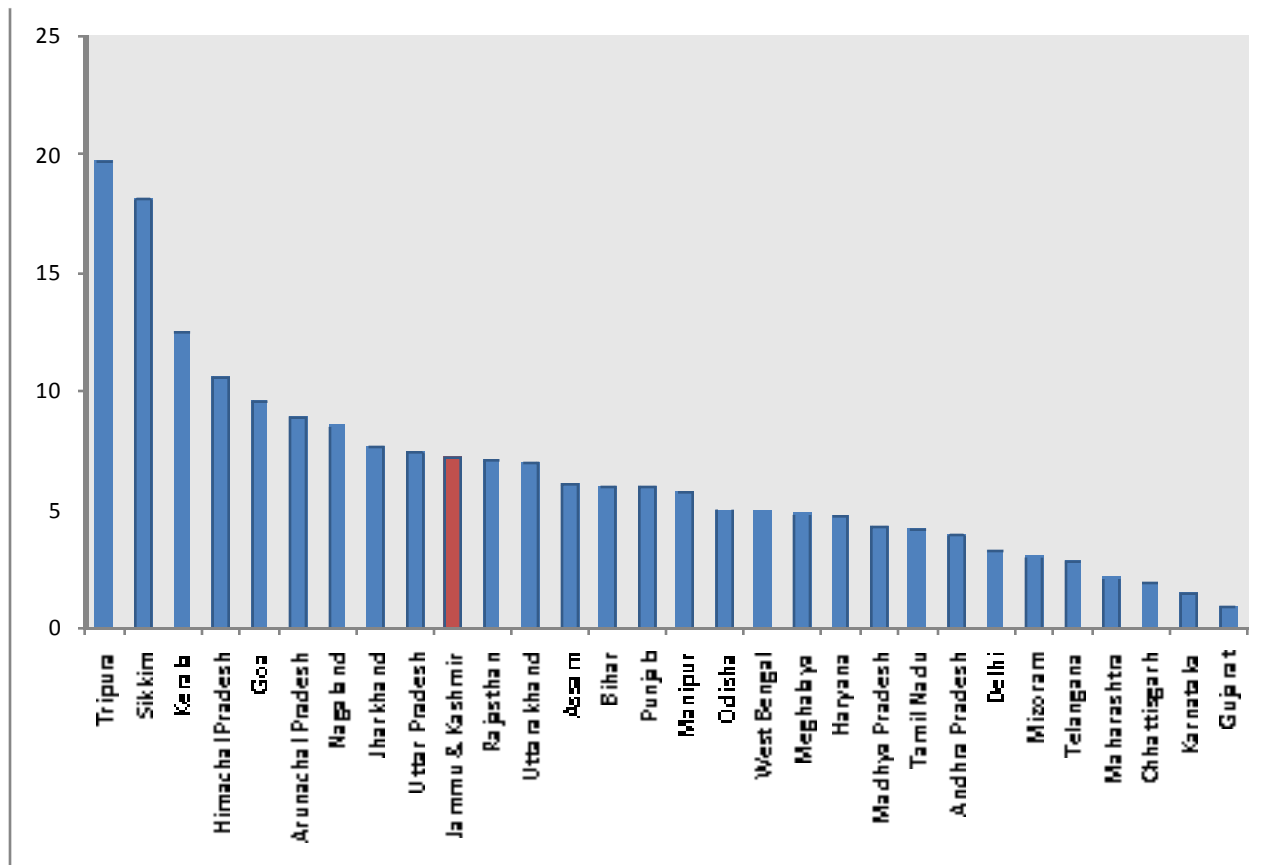
Poverty -- As per 2011-12 census, the state of Jammu and Kashmir has a low poverty ratio of 10.35% against a national average of 21.92% which is highly encouraging.

Chart 6: Percentage of population below poverty line (BPL): Jammu and Kashmir in comparison with other states (% share)



Unemployment-- The unemployment rate based on the usual principal status for the state was estimated at 7.2% as compared to the All India level which was about 5% during the period 2015-16. The state has immense scope to generate ample employment opportunities in sectors in which it has inherent strengths.

Chart 7: State wise Unemployment rate based on UPS approach (2015-16)

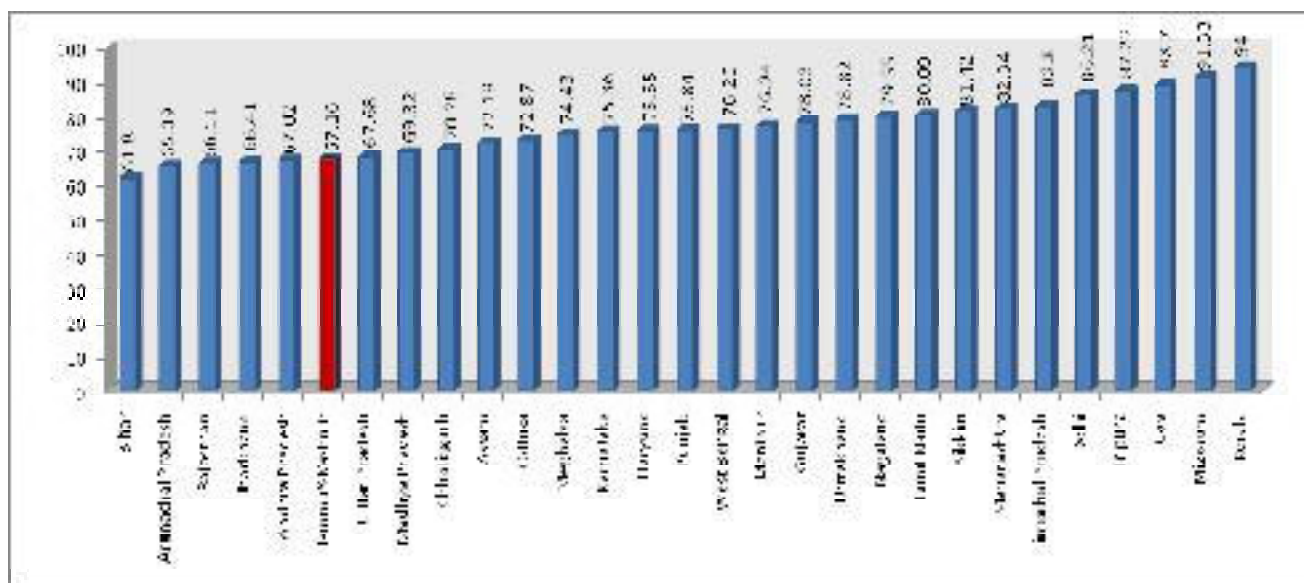


Source: PHD Research Bureau, compiled from Annual Report on Employment & Unemployment Survey (2015-16), Ministry of Labour & Employment, Government of India

Education and Literacy --Education is one of the strongest means which is capable of bringing about the desired change in the society. Education acts as a pillar of support and hence provides skills and development for effective employment in the future.

Chart 8: Literacy in J&K in comparison with other states

(% share)



Source: PHD Research Bureau, Compiled from Ministry of Statistics and Programme Implementation (MOSPI)

According to census 2011, literacy rate of Jammu and Kashmir was 67.16% which is below the national average of 73%. The encouraging fact is that the level of literacy has increased from a meager 11.03% according to census 1961 to 67.16% as per census 2011. The government spending on education sector as percentage of GSDP for the year 2015-16 was 1.99%.

The state has a typical topography which is an obstacle in achieving a desired level of literacy. The networks of educational institutes are sparsely spread and majority of the population lives in remote areas. In order to enhance the level of literacy a number of initiatives have been introduced by the state government during recent years.

The state government of Jammu and Kashmir has undertaken various initiatives from time to time to improve the education system with the help of the centre. Some major schemes announced for 2017-18 were:

1. Opening of 2339 sanctioned new anganwadi centres.
2. Training all anganwadi workers in Early Child Care Education through the SLMTs and DLMTs.

Health -- As of February 2018, the Health infrastructure in the state comprised of 31 district hospitals, 741 primary health centres, 2845 sub-centres and 135 community health centres. At present there are 5534 health institutions in the state (4433 government and 1101 private). Government spending on health sector as percentage of GSDP for the year 2016-17 was 0.66%. In the State Budget 2018-19, an allocation of US\$ 545.10 million has been for health and medical education.

Table 14: Summary of Health Indicators

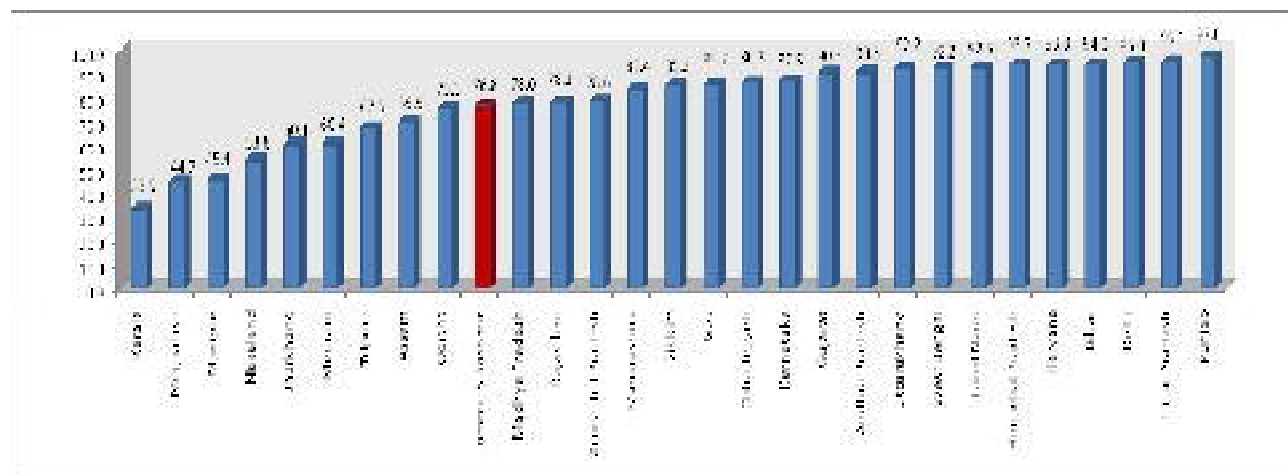
Infant Mortality Rate(FY2017)	24 per 1000 live births
Total Fertility Rate (FY2017)	1.6 children born per woman
Total expenditure on health sector	Rs 839.28 crore
District Level Hospitals(2018)	31
Primary Health Centres (2018)	741
Sub-centres (2018)	2845
Community health centres	135

Source: PHD Research Bureau, Compiled from various sources

Availability of Safe drinking water— Jammu and Kashmir is home to five rivers that are namely Jhelum, Indus, Tawi, Chenab and Ravi. 76.8% of the total households have access to safe drinking water in the state, as compared to the national average of 85.5%. This is an area of concern which needs to be addressed by the government.

Chart 9: Availability of Safe drinking water to households

(% share)



Source: PHD Research Bureau, compiled from Economic Survey 2017-18



5. Budget Highlights of Jammu and Kashmir 2018-19

The budget of Jammu and Kashmir 2018-19 has been designed in order to promote all round development in the state. Various reforms have been set for meaningful public policy interventions. The fiscal deficit previously estimated at around 9.5 % has actually turned out to be around 5.7%.

The state government will provide freight subsidy to the industrial units located in the State and transporting their manufactured goods beyond 1000 kilometres outside the state. The government will also make available refund of SGST to all the industrial units, which were hitherto eligible for VAT exemption.

Hotels and resorts have been kept at par with the industries as far as payment of power tariff is concerned. From 1st April, 2018, they will now have to pay the same power tariff as is applicable to the industries.

To support the creation of a Common Facility Centre for Cricket Bat Industry at Sethar, Anantnag the government is making an attractive offer for public-private partnership. The government is also making efforts in order to facilitate setting up of walnut processing units in the private sector through an enabling interest subvention scheme.

The government has also proposed a small initiative of setting up of a community based marketing network to encourage saffron growers to go back to the traditional system of cultivation, for which Rs. 5 crore has been announced. The government has also proposed to set aside a sum of Rs.25.00 crore to finance orchard re-plantation/ high density plantation initiative.

The minimum wages of unskilled workers has been raised from Rs. 150 to Rs. 225, while those of skilled labour to Rs. 350 from Rs. 225. A new category of highly skilled worker has been introduced and Rs. 400 has been fixed as the minimum wage.

For government employees the state government has announces that all the Government employees including pensioners, along with 5 family members, will be covered under improved and enhanced Group Mediclaim Insurance Policy. The government has increased the Personal Accidental Insurance from Rs.5.00 lakh to Rs.10.00 lakhs.



Table 15: Budget at a glance

	Items	2015-16(Actuals)	2016-17(BE)	2016-17(RE)	2017-18(BE)
A	Revenue Receipts	35780	51460	50174	58168
B	Revenue Expenditure	36420	44975	42568	48819
	Revenue Surplus (A-B)	-640	6485	7606	9349
C	Capital Receipts	9970	10221	7347	18167
D	Capital Expenditure	9330	19694	18912	30653
	Capital A/C Deficit (C-D)	640	-9473	-11565	-12486
E	Total Expenditure	45750	64669	61480	79472
F	Total Receipts	45750	61681	57521	76335
G	Fiscal Deficit	6001	6430	7384	9354
H	Unfunded/Additional resources required	---	2988	3959	3137

Source: PHD Research Bureau, Compiled from Budget of Jammu and Kashmir, 2018-19



6. Conclusions

Jammu and Kashmir, also known as the “Paradise on the earth” is the northern most state in India. The state has some of the best tourist spots and is home to many Himalayan glaciers and rivers. Jammu and Kashmir has unique climatic conditions and has very diverse variety of soil in the state; as a result a wide range of vegetation is found in the Jammu and Kashmir.

The state’s economy has shown varying growth path during the recent years. Though the growth rate of the state was 3.29% for the year 2016-17, the Economic Survey of Jammu and Kashmir (2017) expects the state to grow at 8.49% during the financial year 2017-18. The tertiary sector contributes around 58% in GSDP followed by the secondary and primary sector at 23% and 19%.

Fiscal indicators of the state showed an increasing trend, GFD (Gross Fiscal Deficit) as a percentage of GSDP has increased to 8.8% in FY2017 as compared to 5.6% in FY2015. On an average during the period FY2015 and FY2017 this figure was around 7.1% which is higher as compared to other states like Goa (6.8%), Rajasthan (5.6%), Haryana (4.6%), Tripura (4.4%), Uttar Pradesh (3.9%) and Sikkim (3.3%).

Jammu and Kashmir has attracted industrial investment proposals of around Rs. 3397 crores in past five years. State has rich resources of water, agro, forests, herbal, and minerals in addition to its unparalleled natural beauty with tremendous potential for investment in tourism sector.

Agriculture is the mainstay of the economy of the state as around 70% of the state population depends on agriculture. The state contributes 0.5% (FY2015) in the total food grain production of India. Its contribution in production of apples at all India level is 60.9% for the FY2015. To improve the domestic marketing and promote export of major commercial fruit crops like apples and walnuts, the J&K state has been declared as “Agri Export Zone for Apples and Walnuts”.

The latest Industrial policy in the state was launched in the state in the year 2016. The policy focused on expediting the pace of development in the state and emphasize on the need to create employment opportunities for its people by attracting substantial amount of investments.



Services sector of Jammu and Kashmir is largely dominated by tourism and allied services followed by IT and ITeS. Kashmir is known as the paradise on earth because of its numerous scenic spots and attractions and beautiful weather. Apart from the natural beauty, the state is home to many shrines, monasteries and temples which attract very large number of religious tourists as well.

In the social sector the literacy rate for the state is 67.16% which is lower than the national average of 73% and has scope for improvement. The state has a good number of district level hospitals, primary health centres, sub-centres and community health centres with the government spending of 0.66 as percent of GSDP for the year 2016-17.

Recommendations

Jammu & Kashmir is located in the Himalayan region and has a significant part of the topography is under hilly terrain which hampers the progress and development of the state. However Jammu & Kashmir is blessed with many unique features which can make it one of the fastest growing states in India. The state has huge potential of generating hydro electric power and being rich in natural resources it can provide ample raw material to various industries.

The state government is suggested to focus on the following sectors in order to enhance the growth and development of the state:

1. Tourism

Though the state has granted industrial status to Tourism sector, the incentives/benefits like SSI/MSME units need to be extended to tourism sector. Expansion and up gradation of the existing tourism units in tune with present market demand with ultra modern services and interior designs should be allowed. Further in order to attract tourists in the state, there is need of Golf Course at par with international standards in all tourist destinations of Kashmir Valley especially at Sonmarg. The state needs to extend its marketing development incentives and one time incentives to tour operators of valley.



2. Education

The government should allow an increase of 10% school fees annually as schools were refrained to hike the fees from 2014 leading to no proper up gradation in school infrastructure and no increment in teacher salary. For this the government recently allowed the private schools to hike 8% fees for the next 3 years i.e. a 2.5% hike per year. Further a relaxation in road tax is needed in addition to low interest rates from banks on the vehicles purchased for schools. There is a need for professional training of private and government school teachers from time to time. In order to encourage the private players to set up high quality institutions, the government should consider the following measures:

- Simplifying regulations by reducing input based constraint that stifle operational autonomy
- Introducing student-side financing to ensure a level-playing field between high quality public and private institutions
- Creating enabling legislations at the state level to encourage private players to set up universities.

3. General Trade, FMCG and Other Infrastructure

It is suggested that a grievance cell should operate in the Lower munda office of the Commissioner of Commercial Taxes for redressal of any grievance of Dealers. The government should encourage establishment of warehouses of major companies selling their products in Jammu and Kashmir which will generate employment for around 5000 people. Moreover, there is a need of transparent high level project monitoring team to monitor the infrastructure projects and make all information accessible online to people.

4. Horticulture, Agriculture & Allied Agriculture Sector

The state government of Jammu and Kashmir must work in co-ordination with the Farmer Producer Organization (FPO's) formed by the Government of India



(GOI) so far and provide the necessary technical support for the development of already formed as well as new FPO's. The Mission for Integrated Development of Horticulture (MIDH) and Rashtriya Krishi Vikas Yojana (RKVY) Schemes of GOI should be implemented through FPO's in J&K by involving the basic stakeholders for preparation of district as well as state MIDH and RKVY action Plan as per the guidelines of the schemes.

5. Textile Sector (Handicraft, Handloom and Silk)

a. Handicraft Sector

- I. The National Handicraft Development Program of Development Commissioner Handicrafts, Ministry of Textiles, GOI should be implemented in the for Socio Economic Empowerment of Handicraft Artisans and Carpet Weaves by involving Stakeholders in State Level Project Committee (SLPC) for recommendations of Project Proposals for implementation.
- II. The Mega Carpet Cluster and Mega Handicraft Cluster implemented in the State should be reviewed and the Skilled Human Resource and Assets created under these two Schemes are required to be augmented for strengthening of Carpet industry and other Handicrafts.

b. Handloom Sector

- I. The National Handloom Development Program of Development Commissioner Handlooms, Ministry of Textiles, GOI should be implemented in the state for Socio Economic Empowerment of Handloom Weavers by involving Stake Holders in SLPC for recommendation of Project Proposals for implementation.
- II. Keeping in view the Social and unorganized nature of Handloom activity in our State the all Handloom Products be kept out of GST regime.



c. Sericulture and Silk Industry

- I. The state government must ensure that the benefits of the loan sanctioned By the World Bank for the revival of Sericulture and Silk Industry should reach to Sericulture Farmers and Reelers through FPO's at grass root level for the growth of the industry.

6. MSMEs Sector

The National Manufacturing Policy should be implemented in the state to make the MSMEs sector self sustained for development. The Hydro electric power potential of the State needed to be taped for the establishment of small and mini Hydel power project to make the State self sufficient in power generation and 24x7 Power for All (24x7 PFA) a joint initiative of the GoI and State Governments, aiming to achieve 24X7 availability of reliable and quality power to all households, industrial, commercial and all other electricity consuming entities by the end of FY19, should be implemented, with proper project monitoring cells for reviewing the power reform projects like R-APDRP and DDUGJY.

7. Youth Empowerment and Sports Activity

The state should have a sports person to promote the state's sports to the rest of the country. Further, gap analysis of the minimum skills required by the industry type must be assessed and upgradation of required skill-sets should be done accordingly. Appropriate skill development measures will increase the employability of the youth and boost employment opportunities in the state.

In a nutshell, it is suggested that the government must implement reforms in the sectors in which the state has inherent strengths such as Tourism, Handicrafts, Agriculture and Food Processing, Sericulture, Handloom and Handicrafts in order to foster economic growth in the coming times. Going ahead, the state has every potential to achieve strong and sustainable high growth rate and generate employment opportunities every year.



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The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading newspapers. Recently, the Research Bureau has undertaken various policy projects of Government of India including Framework of University-Industry Linkages in Research assigned by DSIR, Ministry of Science & Technology, Study on SEZ for C&AG of India, Study on Impact of Project Imports under CTH 9801 for C&AG of India and has attracted a World Bank Project on free trade zones.

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KASHMIR
The Way Forward



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