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## What Ails Jammu and Kashmir Economy Do We Lack Resources, Big Investments or Sound Policies?

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### **Abstract:**

*The state of Jammu and Kashmir is experiencing turmoil and unrest for more than two decades. There are divided opinions underlying these crises situations. Some attribute this phenomenon entirely to the state of backwardness, while others relate it to the inability of the governments to resolve the political aspirations of the people of Jammu and Kashmir. Whether peace emerges from development or vice versa is a hot debate. Whatever the cause and effect relationship, in this paper author assumes development initiatives, to a large extent, can help stabilize the volatile situation- provided the development process is inclusive. There is no denying the fact that the state of Jammu and Kashmir is bestowed with substantial human and natural resources, but at the same time it is suffering from huge educated unemployment and under development. This peculiar situation according to the author is due to mismatch between the quality of human resource and resource potentialities of the region To kick-start the process of development what we require is not the big investments but simply a sound policy to address this problem. The policy correction must come through appropriate education that can remove this mismatch. The author is not of the opinion that huge investments from big business tycoons and multinational corporations is a feasible proposition to initiate the broad based process of development as it can lead to exclusive growth. The potential sectors of our economy like horticulture, handicrafts, tourism, and water resources are like 'sleeping giants' and need a vibration by the hands of professionally trained local youth with entrepreneurial spirit, manageable amounts of capital, and a minimum government concern.*

**Key words:** Jammu and Kashmir, unemployment, inclusive growth, human resource, natural resources

### **1. Background**

This paper is the outcome of a recently held interactive session at the University of Kashmir between the big Indian business tycoons and the students of Kashmir University. The event was organised with the expectation that these industrialists can provide employment opportunities by way of placement of our students in various Indian companies, and to explore investment opportunities in different sectors of the J&K economy to kick start the process of development and employment generation. However, what emerged out of this interaction was the reluctance of these industrialists to invest in an atmosphere of instability and unrest prevailing within the region. The condition that 'peace and stability is the prerequisite for producing a conducive environment for investments and economic development' apparently seems to be a rational argument from the private sector viewpoint, but a preposterous proposition from the social standpoint. As one cannot expect stability and peace to emerge unconditionally from a situation of social unrest, assuming the underlying cause being economic backwardness and mass unemployment [1], unless some development effort is initiated. This leads us to a paradoxical situation, that is, whether peace is the precondition for development or development promotes the peace? This is a chicken-egg problem and implies getting trapped in a vicious circle.

Now to come out of this vicious circle we make another assumption that the region somehow becomes stable itself, under this condition to what extent should we expect the role of big investments to fill up the process of growth and development? It all depends whether we believe in the "trickle down" theory and expect Adam Smith's "invisible hand" to play its role in promoting the social welfare. I can't dare to challenge this idea; after all this principle is the underlying factor of all the advanced countries of the world. But surely in our circumstances one can observe that the so called invisible hand has either developed arthritis or has been turned into "invisible handshake".[2] Business tycoons are always in search of profits. They are more concerned about their own gains than social welfare. And secondly, amidst inappropriate policies and weak institutional framework, the impact of private sector big investments would be to invite exclusive growth- nothing less than a social disaster. Under such a situation it primarily becomes

the responsibility of the local government to frame appropriate development policies, keeping in view the regional specificities. As far as possible the development policies should be designed to provide a solution within the system itself before asking for any external help. This should not be viewed as a conservative approach in the era of globalisation. After all, preserving and strengthening the fundamentals of any economic region, before opening it up, is a sure recipe for achieving self-reliance and sustainable development.

In an orthodox conventional sense, two conditions are important to be satisfied for the balanced growth and development of any region. First, that it must have a strong material and natural resource base and second, to exploit these material resources it must be endowed with human resources possessing appropriate skills in tandem with these material resources. Economic backwardness and unemployment is the inevitable outcome of mismatch between skill formation and resource potential. In such a situation, the type and quality of education should provide the necessary correcting mechanism to remove this mismatch. If done, this is expected to expand employment opportunities within the system itself and spark growth and development without any external help.

The state of J&K, although bestowed with substantial physical and human resources, furnishes a classic case of this mismatch. Due to its inappropriate policies, especially in the education sector, it has produced unemployment on a massive scale. Broadly speaking, there are two major repercussions of educated unemployed that need to be reckoned with. First, it may lead to brain drain depriving the region of valuable human services, and secondly, it can produce an environment of unrest in different forms and manifestations.

The moot question is, is it not possible for the state planners to devise the education policy as a tool to address the issue of unemployment? The solution is possible. Fortunately our economy comprises such sectors in which we have natural and comparative advantages, such as, horticulture, handicrafts, tourism, live-stock, water resource sector etc.

## 2. Growth Engines of J&K Economy

### 2.1. Horticulture

Although the state produces about 20 lakh metric tonnes of fresh fruit every year, including 50 thousand c-grade pre-falls and culled apple (Economic Survey, 2011), it is astonishing to see that the state completely lacks a network of small scale agro-processing units that could convert the fresh fruit into a number of bi-products with value additions. Is it not possible to promote specialised courses like food processing, preservation and marketing of horticulture produce?

### 2.2. Handicrafts

Handicraft is another important sector, engaging about 4 lakh artisans (Economic Survey, 2011) in which we have peculiar advantages. In addition to being environment friendly, the activities in this sector do not require large investments. It is labour intensive with large employment absorption potential (Shazia, 2013). It has the ability to penetrate the international markets. But, unfortunately, no serious attempt has been made to link this sector to our curriculum. We have not been able to produce graduates and post graduates with business management degrees in the handicraft sector. Alternatively, provision of vocational education at the primary levels could be a feasible proposition in order to familiarise our youth about this important traditional activity.

### 2.3. Tourism

Our tourism sector, with a tourist inflow of 95 lakh recorded in 2010 (Economic Survey, 2011), has the capability to absorb huge manpower, provided they are professionally trained. Institutions such as hotel management, catering, hosting, mountaineering, trekking and travelling, winter and water sports, paragliding and many more that could improve the service quality in accordance with the international standards are miserably missing.

- In our scheme of things there is a little recognition for tourism as a carrier. These image problems need to be changed.
- There is lack of qualified personnel with combination of academic qualification and industry understanding.
- There is need to introduce and encourage students to study multidisciplinary courses, so that students get entry in the tourism industry for leadership and managerial roles.
- Even the provision of Kashmir Tourism Services (KTS), like Kashmir Administrative Service and Kashmir Civil Services or Kashmir Police Services (KPS) can be made to attract the people with thorough knowledge of tourism in this carder. These steps need to be taken very promptly in view of certain peculiarities of this industry, that is :
- It is the fastest growing industry in the world
- It shows the highest returns to investment
- It has the highest job generation potential
- It acts as a catalyst for narrowing urban-rural development gap
- It addresses the issue of rural-urban migration – a very important development issue.

### 2.4. Water Resources

Water resource nowadays is considered to be the subject matter of prosperity. Someone has rightly predicted that one of the world wars would be fought on water resources. Our state has the unique distinction in this regard. Our water resources are comparable to the underground hydrocarbon resources of the Middle East and Central Asia. While the energy produced from the hydrocarbon fossils fuel pollutes the environment and is an exhaustible resource; the energy produced from water is eco-friendly and non-exhaustible. With a capacity to produce almost 20,000 MW of power-with an employment potential of 1 lakh sixty thousand jobs (Sajad, 2006) that can light up the whole northern India, the state of J&K faces worst power crises - thanks to its lackadaisical policy. Out of the total

potential capacity of 20,000 MW, installed capacity of the State Power Projects is a meagre 900 MW (Economic Survey, 2011), only, which accounts for less than 5 per cent utilization of the total capacity. According to statistics the state government expenditure on power purchase amounts to about 2000 crore rupees annually (Economic Survey, 2011), accounting for half of the total tax and non-tax revenues of our budget. Keeping this state of affairs in view management, preservation, and exploitation of water resources in our state and education policy hardly requires any emphasis. There are other areas which are equally important as well such as live- stock rearing given the plenty of meadows and green pastures; commercial floriculture; medicinal and aromatic plantation, saffron cultivation in which our state enjoys monopoly at the national level, producing the second best quality in the world and with a huge demand and supply gap. In all these spheres education has a very vital role to play in the development of human resource base to manage all these sectors of our economy on modern scientific lines. It is noteworthy to mention here that state does not require making investments to create such a climate, but rather state has the responsibility to devise such policies in order to induce the local economic agents to make investments themselves. It is not the business of the government to do the business but to create a suitable climate for the local private sector to emerge and flourish. The right approach to provide such a business climate is very well possible if our curriculum is aligned to our resource potential. This should serve the base line of our development model.

### 3. Concluding Remarks

All said, it is really appreciable that certain steps have recently been initiated by the University of Kashmir in this direction by offering certain flagship courses relating to tourism and handicraft sectors. But what is needed is a comprehensive programme, by setting up separate and full-fledged institutions and departments producing professional and qualified personnel capable to handle all the potential sectors of our economy. After availing professional degrees in all these areas, one should genuinely expect the business activities to get started with entrepreneurial spirit, manageable amounts of capital, and a minimum government concern. If still it doesn't happen, one should conclude that underdevelopment and unemployment in our state is voluntary (rather involuntary) which doesn't have any cure and need not to be taken seriously.

### 4. End Notes

- There is an increasing feeling found among the masses and think- tanks that the unrest in the Kashmir valley cannot actually wholly and solely be attributed to the lack of development efforts and rising unemployment, but it basically is due to its political problems.
- Invisible Handshake refers to the state of corruption and moral hazard.

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