

EXECUTIVE SUMMARY

JAMMU & KASHMIR: DEVELOPMENT SCENARIO

Jammu and Kashmir is an Indian state that has its own distinct and peculiar cultural ethos. The state has a predominant place as it shares the international boundary with Pakistan and China. It is enriched with the boundless beauty of snow-clad mountains, large natural lakes, forests, rivers and springs. It comprises three main natural regions, namely, Jammu, Kashmir and Ladakh. However, for administrative purposes, the state is divided into two main divisions, Kashmir with eight districts (including two districts of Ladakh region) and Jammu with six districts.

The trend in the development of Jammu and Kashmir is not encouraging. It has been lagging behind most of the states in regard to the growth of Net State Domestic Product (NSDP) at current prices. The average annual growth of Net State Domestic Product at current prices during 1980-81 to 1999-2000 was 12.45 per cent for Jammu and Kashmir against 15.01 per cent, 14.28 per cent, 13.83 per cent and 14.3 per cent for Andhra Pradesh, Gujarat, West Bengal and Kerala respectively. In the case of the growth of Per Capita Net State Domestic Product at current prices also, the state of Jammu and Kashmir was lagging behind most Indian States. The average annual growth of Per Capita Net State Domestic Product at current prices during 1980-2000 was estimated as 9.63 per cent for Jammu and Kashmir against 12.9 per cent, 11.63 per cent, 11.63 per cent, and 12.86 per cent for Andhra Pradesh, Gujarat, West Bengal and Kerala respectively.

IMPEDIMENTS TO GROWTH

The slow growth of the state of Jammu and Kashmir can be attributed to various factors. The climate of armed militancy in Kashmir during the past decade has been a major factor. Low productivity in agriculture and allied sectors has impeded employment and income generation. Poor industrial infrastructure along with the poor investment climate has left the industrial sector in its infant stage. There has not been a suitable strategy for the potential sectors to achieve higher economic growth. Lack of good governance and sound fiscal management has also been responsible for the poor economic growth of the state.

DEMOGRAPHY

Jammu and Kashmir is one of those states in the country where both the demographic situation and level of socio-economic development remains far from satisfactory. The

latest 2001 census reveals that the population of Jammu and Kashmir is 10,069,917 sharing 0.98 per cent of India's population. The population growth rate in the state has been consistently high and during 1981-2001 it was more than 2 per cent. Its geographical area is 222,236 sq. km., with a share of 6.76 per cent of the country's size. About 54 per cent of the population in the state is literate, as against the national literacy rate of 65.38 per cent. The age structure of the population indicates a high dependency ratio both in the 1971 and 1981 census. Therefore there is an urgent need for implementing the following action plan:

- a. The State Population Commission of Jammu and Kashmir should formulate specific strategies for the implementation of the recommendations of the National Population Policy (NPP), 2000 for promoting sustainable development.
- b. Promote collaborative arrangements between health professionals in the private sector and NGOs and the public sector in order to increase awareness about population stabilization and help government in the implementation of various family welfare programmes.
- c. The local government institutions should be motivated to promote small family norms by achieving reductions in infant mortality and birth rates and promote literacy.

AGRICULTURE SECTOR: GROWTH PROSPECTS

Agriculture, the predominant sector of the economy of Jammu and Kashmir, supports about 80 per cent of its population. The state is divided into three agro-climatic zones: Jammu, Kashmir and Ladakh each has its own specific geo-climatic condition, which determines the cropping pattern and productivity. Rice is the chief crop of Kashmir zone, followed by maize, barley and wheat. Jammu region dominates both in maize and wheat production. In the Ladakh region, barley is the major cereal crop followed by wheat. The production of three important food crops, namely, rice, maize and wheat, contributes a major portion of the foodgrain in the state and accounts for 84 percent of the total cropped area; the balance 16 per cent is shared by inferior cereals and pulses. Nearly 75 per cent of the country's temperate fruits, mainly apples, are grown in the state.

Considering the growth prospects of this sector, the state government should plan for higher production and productivity of each major cereal in order to achieve an annual agricultural growth rate of 3-4 per cent. In this context the state agricultural department should make suitable policies as listed below:

- a. The state should shift its agriculture development strategy from food security mode to the value addition mode by growing certain products like high value fruits, vegetables and some cash crops which can give good returns to the cultivators. There is good scope for the production of high value, low volume crops like saffron, black zeera and other spices especially in Kashmir region.
- b. Regular availability of agricultural inputs such as seeds, fertilizers, pesticides, credit, etc. should be ensured.
- c. The state government should encourage a mix of supplementary crops in each region. Comprehensive cost of cultivation studies needs to be conducted in each region/zone.
- d. The state should pay attention to short-term soil conservation measures aimed at stabilizing gentle slopes.
- e. The gap between national and state average of the area under forest can be filled by the development of social forestry. It should be promoted through various steps.
- f. A comprehensive review of cropping pattern and shift in the same to fruits and vegetables is called for. Here, the example of Punjab, which has launched a massive crop diversification plan, needs to be emulated.

FISHERIES DEVELOPMENT

The importance of the fisheries sector has been highlighted as a major food source and also a means of attraction for tourists. As an important activity allied to agriculture, it strengthens the productive base of agricultural economy and generates self-employment. In 1998-99, the total fish output was estimated at 1,88,510 a quintal, while the number of fisherman population was around 66,955. However, there has been a big gap between demand and supply of fish. In addition to the local population, defence personnel and tourists are the source of the increasing demand for fish in the state. It is a fact that the length of 27,781 km of rivers and streams can provide the facility for the farming of over 40 million tons of fish. The available infrastructure for the production of fish in the state includes 18 state-owned trout hatcheries and 22 fish farms. In addition to the fishermen, nearly 10,000 workers are employed in the fisheries sector and there is good scope for expanding employment opportunities through the development of this sector. In order to exploit the potential of this sector, various steps are required, some of which are:

- a. Private enterprise should be encouraged for marketing of fish and the possibility of selling fish in neighbouring districts of Punjab should be explored.

- b. Infrastructure support by way of purchase of refrigerated containers or vehicles and working capital, should be extended to the private sector.
- c. Fishing should be made part of tourism promotion in the state. Organizing fishing festivals or tournaments could attract fishing enthusiasts from the rest of India and abroad.

LIVESTOCK DEVELOPMENT

In Jammu and Kashmir, animal husbandry plays a significant role as 0.13 per cent of gross domestic product (GDP) of the state is contributed by this sector. The state has a precious wealth of livestock in form of cattle-buffalo, sheep, goats, poultry, etc. The cattle and poultry amongst all the livestock are considered the most important tool for the development of the rural economy. The production of pashmina shawls and other animal products like carpets, shawls and blankets of Kashmir earn handsome foreign exchange for the nation. Therefore livestock industry in the state has vast scope for development rendering quick economic returns.

In terms of livestock production, there is a gap between demand and supply. Due to the climatic condition there is great demand for meat and warm clothes in the valley. The breeds of animals available in the valley are not able to provide both components in sufficient quantities. This sector provides direct employment to about two lakh people, indirectly benefiting people who are dependent on agriculture. This sector needs more attention and the following incentives to achieve adequate expansion to bridge the demand supply gap:

- a. The state government should commercialize research output in regard to the conversion of agricultural waste into cattle feed either through its own initiatives or private initiatives. This can lead to the use of non-conventional feed and fodder resources.
- b. Jammu and Kashmir provides a suitable climate for cattle breeding. So the state government should take the initiative to establish a cattle-breeding centre.
- c. The development of poultry with modern technology should be encouraged to meet the increased demand for poultry products.

DAIRY DEVELOPMENT

With a steady growth in the production of milk, Jammu and Kashmir has become a milk surplus state. The milk production increased from 3.69 lakh metric tonnes in 1995-96 to 6.66 lakhs metric tonnes in 2001-02. As the demand for milk and milk

products has been increasing at a faster rate, there is scope for dairy development in the State. As there is abundance of the local breed of cattle and the introduction of some new breed has not yet started in Jammu and Kashmir, it is lagging far behind the state of Punjab. The sector has good potential for creating considerable job opportunities. From the current stage of subsistence activity, dairy development can grow through modernization and thereby increase income and employment opportunities. For this purpose, the required policy decisions are summarized below:

- a. As animal husbandry services being provided by the animal husbandry department are not effective, qualified private parties should be allowed to provide some of these services. Selective privatization of animal husbandry services would be the preferred approach, as some services in which the public interest is greater than individual interest would have to be provided by the government.
- b. The development of the dairy sector needs the provision of specialized infrastructure such as bulk farm coolers and refrigeration systems as well as basic infrastructure like power and water. Providing a cost-effective and continual supply of power and water to procurement and processing units will have to be top priority. This will reduce costs and improve milk quality considerably. The government needs to upgrade rural roads leading to milk collection centres to increase the frequency of collection, reduce logistical costs, and improve the quality of the raw milk.

SERICULTURE

Sericulture is the traditional occupation for a large section of the population in Jammu and Kashmir. It is estimated that 25.28 thousand families were engaged in the extraction of silk fibre in 1999-2000. It is discouraging that the silk industry, which has seen a glorious past, is on decline. Various reasons are attributed to this declining trend in the silk industry. Inadequacy of mulberry leaves and damage caused by insects and pests have caused problems in the development and expansion of mulberry trees. Despite several initiatives taken by the state government, the number of mulberry trees is still very low. During the year 1980-81, there were 601 thousand trees, which increased to 1402 thousand in 1999-2000. Due to the lower return from the activity and lack of proper attention to the plantation at the establishment stage, growth of mulberry plantation is slow. The inconsistency in the production of cocoons due to the climatic limitation of the state and inadequate rearing equipment is another matter of concern. As a result, proper growth and development of silkworms does not take place. The production of raw silk does not have consistency due to improper disease management. Even though the government has taken various steps to increase production of silkworm, raw silk and mulberry plants, the sericulture sector still needs more measures as follows:

- a. Superior varieties of disease-resistant silkworm species suitable to local conditions should be evolved to boost silk production. As the research output of Sher-I-Kashmir University of Agriculture Science and Technology (SKUAST) is not very encouraging, the state government should provide the infrastructure to the private investor.
- b. As multi-crop cultivation of mulberry is not possible, the state government should encourage the farmers to plant mulberry trees on the edges of their rice fields and orchards on a large scale. Popularizing the scheme to encourage every family to grow at least one mulberry plant can be considered.
- c. Integrating mulberry cultivation with farm and horticulture activity can provide more income and employment to the rural agricultural labour force.
- d. Marketing of the cocoon needs proper attention. Cocoon auction markets should be started at several towns where private parties as well as other states could participate in the bidding, besides the government

IRRIGATION

There has been a steady increase in the net irrigated area by different sources (canals, tanks, wells and others) during the last fifty years, reaching 2.61 lakh in 1998-99. Canal irrigation constitutes the largest single source of irrigation accounting for 93.75 per cent. Tanks, wells and other miscellaneous sources contribute the rest. The available data shows that rice and maize cultivation get the maximum share of available water sources. The state offers good scope for the exploitation of ground water, as current ground water development is a meagre 1.33 per cent. The MI structure like STWS, dug wells, PI sets are quite feasible in the state. Lack of information on the availability of resources at the block level on area-specific basis, the absence of coordination between the different state agencies involved in ground water activities and shortage of technical staff in banks for formulation of ground water as well as surface water-based schemes are the main reasons for the difficulties in exploiting ground water up to its potential in selected areas of Jammu and Kashmir. The following are some areas of action in the field of irrigation:

- a. In order to exploit ground water potential, need assessment at the block level is recommended.
- b. Delineate area suitable for the development of ground water.
- c. Recommend area-specific suitable design of MI structures and unit cost.

INDUSTRIAL GROWTH: A PRAGMATIC APPROACH

Jammu and Kashmir is an industrially backward state without a strong industrial base. However, many small and medium-scale industries have come up both in the traditional and new areas in the state. With the government's support in the form of loans and incentives to set up industrial units, their number increased from 35,641 in 1995 to 42,808 in March 2001. At the same time, employment increased from 1,54,621 persons in March 1995 to 1,87,399 in March 2001. Though the number of SSIs in the state has gone up, there are also cases of sickness of units as some of the units are dysfunctional and missing. Due to the difficulty in recovery of loans along with law-and-order problems, industrial financing has come down drastically in the state. In fact, SIDBI and IDBI stopped refinance from 1992-93 till 1995-96 though SFC has marginally increased the disbursement of loans in 1998-99.

Mineral deposits available in the state are bauxite, limestone, sapphire, gypsum, coal and marble, most being located in border areas and in difficult terrain. Roadways are the only means of transportation since railways are not well developed in the state. Therefore it cannot compete with other states like Rajasthan due to high transportation cost. The fragile ecology of the state also inhibits the setting up of large industries based on minerals.

Among the twenty PSUs, majority are running into losses with the exception of four that are earning revenues to meet their day-to-day expenses. The state, however, does not have any functional policy towards restructuring / revival of the loss-making PSUs. Though the concerned departments were asked to come up with the proposal to restructure or revive the PSUs, the finance department has not yet received any such proposal. Disinvestments, as another option, are also being explored and the state has initiated the process by disinvesting in a few units owned by Jammu and Kashmir Industries Ltd.

Industrial promotion agencies such as SIDCO, SICOP, Small Industries Service Institute (SISI) and Directorate of Industries and Commerce perform various functions to promote industrialization in the state. Both central and state governments announced a package of incentives to attract industrial investments in J & K. Still, the industrial scenario of the State has been very dismal and an action plan would therefore consist of the following:

- a. Sector-specific strategies should be adopted to promote industries in Jammu and Kashmir keeping in mind the climate, accessibility, raw material availability, human resources and consumption pattern.

- b. To encourage investments in the state, Government should play a lead role to build up the confidence of the private investors
- c. A comprehensive and analytical review of existing industrial estates in the state is required so that reasons for the failure or non-performance of units located in the industrial estates can be ascertained and corrective action taken.
- d. Common Facilities Centres should be provided to the industrial units set up in the estates.
- e. Better infrastructure including uninterrupted power supply and connectivity should be provided to the units.
- f. A restructuring fund could be created by the Central Government to downsize or restructure the financially non-viable public sector corporation in a phased manner.

EMPLOYMENT GENERATION

The number of workers registered an increase of 39 per cent during 1981 and 2001. The total number of workers now stands at 36.89 lakh including 11.52 lakh marginal workers. Considering the increase in population of the state from 59.87 lakh in 1981 to 100.70 lakh in 2001, job opportunities have not kept pace with the population growth. It is important to note here that the present study has not taken into account the NSSO 1999-2000 data on occupational structure as the emphasis was on educated unemployment and the Digest of Statistics published by the State Government fulfilled the purpose. The problem of unemployment gains more importance because of increasing educated unemployment, absence of industrial growth and continuation of agriculture and allied sectors as subsistence sector for 70 per cent of the population is directly or indirectly dependent on it. The broad areas of action to be followed to generate employment opportunities are as given below:

- a. As a major source of income and employment for the local people, revival of tourism needs to be ensured to increase direct and indirect employment.
- b. Development of other sectors, which include horticulture, agro-based industries, handloom and handicrafts, sericulture, can generate employment opportunities in the state. Setting up of hydel power projects can also provide employment opportunities to technical and non-technical people. Biotechnology and Information Technology, the new emerging knowledge- based industries, which have high employment potential, need to be focused upon.

The announcement of a comprehensive package of Rs. 6,165 crore by the Prime

Minister Shri Atal Bihari Vajpayee, at the end of his three-day visit on May 2002 to Jammu & Kashmir, covering various aspects of development and security, with a thrust on generation of new employment opportunities for the youth of Jammu & Kashmir and relief for migrants affected by militancy and cross-border shelling will definitely enhance the employment opportunities for the youth .

INFRASTRUCTURE GROWTH

Power

The state has a huge hydel potential estimated at 20,000 MW of which less than 10 per cent has been exploited so far. The installed capacity in the state was 374.13 MW in 1998, with 190.19 MW in hydel plants and 183.94 MW in thermal plants. The consumption of power increased from 2577.9 MKwH in 1997-98 to 3397.0 MKwH in 2000-01 recording an increase of 31.7 per cent. The domestic sector has been the biggest consumer followed by agriculture and industry.

Transmission and Distribution (T & D) losses in the state were as high as 47.5 per cent in 1997-98. These losses include transformation losses as well as unaccountable consumption, of which the latter accounts for more than half of the losses. The absence of metring of consumption due to non-installation or the non-functioning of the metres accentuates the problem. Power theft and pilferage exert additional pressure, forcing the state to purchase more from outside sources. The following action steps need to be taken to improve the power situation in the State of Jammu and Kashmir:

- a. Carrying out large-scale reforms in the power sector in order to reduce losses, induce accountability, and ensure proper account of power supply and distribution.
- b. Universal metring should be implemented with universal coverage to obviate incidence of theft.
- c. The power distribution needs to be privatized and an effective system of recovery of dues with suitable incentive structure should be introduced.

Roads

There were 13,540 km of roads in the state on March 2000 apart from national highways with 3,715 km of road length maintained by the state. Other departments in the state – the Forest department, Irrigation and Flood Control and C.D & N.E.S. department - maintain a total of 16,090 km of roads.

Difficult terrain as well as severe law-and-order problems has contributed to poor connectivity. There are inter-district variations in respect of connectivity of roads. In terms of road length per 100 sq. km. of area, Budgam district has the highest road density of 81.84 km in contrast to the districts of Leh, Kargil and Doda with 2.58, 4.82 and 5.24 km respectively. On the whole, districts in Jammu division lag behind the districts in Kashmir valley as far as road infrastructure is concerned. For the development of roads, Central Road Fund, Additional Central Assistance and loans raised from NABARD were utilized. Various actions required in this area are summarized as follows:

- a. A project to connect Pampore, Lassijan to Rambagh via Padshaibagh will provide an alternative route to the south of the valley, given the growing and burgeoning intensity of traffic in the valley. As the project has not been cleared for funding from the Centre, the same may be given at the earliest.
- b. The state government intends to build an alternative road to the existing National Highway that remains closed for long periods of the year due to bad weather and landslides. The proposed highway would be shorter in length by about 80-90 km to the existing National Highway-1 and would cost Rs. 200 crore. The Centre should explore the feasibility of the new project proposed, given the fact that the state with its limited financial resources would not be in a position to build this road.
- c. Over the years traffic on the roads in the state has increased manifold. The stretch from Banihal to Srinagar needs to be upgraded from two lanes to four lanes.
- d. Due to locational disadvantage, developmental works have to be suspended in the Ladakh region for 5-6 months a year. Thus construction of road from Tsomoriri to Spiti in Himachal Pradesh via Parangla Pass, which is a stretch of about 60 km, becomes important to provide connectivity to the region almost throughout the year.

Transport

Traffic on the roads has increased by more than 2 ½ times against 1¼ times increase in the road network during 1989-2000. In addition to the traffic growth, there are other operational and commercial problems faced by the transport sector like frequent landslips, narrow roads and short working season of about six-seven months. The rail – road mix of transport in the state is very low. As Jammu city is the railhead for the state, Kashmir valley as well as Ladakh is totally dependent on road transport. The state, with three civil airports at Jammu, Srinagar and Leh, is connected to the rest of the country through air transport also. The important

recommendations to improve the transport scenario of the Jammu and Kashmir are:

- a. With regard to road transport, the State Road Transport Corporation (SRTC) is a loss-making public sector undertaking. While the government should perceive SRTC as a social obligation its fleet should be limited only to those routes where private operators are not forthcoming.
- b. As far as rail transport is concerned, ongoing rail projects - Hampur – Katra and Qazigund- Baramulla sections of Udhampur-Baramulla need to be given high priority, as taking of railway line into the valley will open new avenues and opportunities of economic development and social transformation.
- c. The state, sparsely populated and scattered as it is, needs more airports and better air connectivity. Kargil airfields are not yet operational and putting Kargil on the air map will open up that region to tourism and lead to economic development of the area. Air frequency to Leh also needs improvement, particularly during the summer season that is the tourist season for Ladakh. Remote places like Gurez, Kupwara, Poonch, Rajouri and Kishtwar need to be connected by air.

Telecommunications

Jammu & Kashmir has a tele-density of 1.65 per hundred persons while its tele-density in rural areas is as low as 0.12 per hundred persons. In the absence of private operators, Bharat Sanchar Nigam Limited (BSNL) is the only basic telephone services providing body in the state. The Jammu and Kashmir Telecom Circle has five Secondary Switching Areas (SSA), namely Jammu, Srinagar, Udhampur, Rajouri and Leh. There were 349 exchanges of various capacities in June 2002. The state needs more attention in the telecommunication sector especially in the following areas:

- a. The village telephone connectivity should be improved
- b. Cellular and Wireless-in-Local-Loop (WLL) services should be made available to Jammu and Kashmir without any break.

WOMEN AND CHILD DEVELOPMENT AND HEALTH

Women and children are the weaker section in the family and society in the state. In all spheres of life including health, education, income and political participation, women are accorded low status. In regard to school education, the low enrolment ratio and high dropout rates among girls show poor utilization of educational opportunities by girls.

Due to limited knowledge, skills and resources at their disposal, women are engaged in informal and unorganized sectors where the wages are very low. As a result, the income is very low, degrading their quality of life and lowering their standards of living. Women and the girl child tend to get marginalized due to their low visibility and due to the fact that their health issues tend to be confined within the domestic sphere.

In order to empower women and children, several programmes such as IRDP, TRYSEM and DWCRA have been started in the state. Jammu and Kashmir Women's Development Corporation for instance has also done a commendable job. The Corporation has trained a number of women in different traditional and non-traditional trades, besides providing soft loans to various women for setting up their own income-cum-employment generating units. Despite the fact that some of these programmes are successful, they have not achieved the anticipated impact on the over-all status of women.

- a. The health status of the people in Jammu and Kashmir has not been able to keep pace with the national level of achievements. Militancy during the last few years has also worsened the condition. Consequently, the state till date has a considerable segment of population living below poverty line, with poor infrastructure. There have been some improvements in health with respect to certain indicators. After 1990, there was a sudden decline in annual birth rate which fell to nearly 20 per million from the level of 34 per million. The annual death rate also registered a sharp decline from 7.90 in 1990 to 5.40 in 1998 in the state. A comparison of infant mortality with the rest of the country shows that the IMR in Jammu and Kashmir is 45.4, far below the national average of 71.6 per thousand. This indicates a very positive signal for the state towards reducing infant deaths.
- b. In order to improve health conditions and promote women and child development, a concerted effort should be made in the fields of water supply, unemployment, health, education and health care system as mentioned below:
 - Water Supply: There is an urgent need to provide safe drinking water to the people with regular water surveillance and water purification on cost-effective methods. Better leak detection and maintenance of water system can improve the supply of water to a large extent. Safe water will increase personal hygiene and reduce the occurrence of skin and other diseases.
 - Unemployment: Setting up of cottage industries would help in reducing unemployment among women and make them economically self-reliant

and independent. Females can be given special training in preparation of products that are in demand.

- Health Education: Informal health education on sanitation, hygiene, etc., needs to be imparted at family level. Information can also be disseminated through mass media by showing plays on negative aspects of bad sanitation, etc.
- c. Health Care Delivery System: Representatives from the local population can be chosen to provide health care to the people. The representatives may be given training in first aid and basic knowledge about treatment of minor ailments. They would keep track of all young married women for giving advice on various aspects of family welfare.

EDUCATION

Jammu and Kashmir has remained educationally backward compelling the state government to promote education in the state. The state government keeps taking various initiatives from time to time to improve the education system. The government runs many centre and state supported schemes, especially for the backward/underprivileged sections of the society, so that they are not deprived of education. It includes providing free education up to the college level, mobile institutions for the nomadic population, scholarships, free books and uniform to deserving students. The Annual Report of the Education Department states that around 2000 privately run schools are operating in the state. A significant number of privately run technical and other institutes, is limited only to cities and towns. Education sector in the State needs various reforms such as:

- a. There is a need to rationalize the scheme of providing free education at all the levels in the state and to reconsider the decision of providing free education at the university level. As higher education is directly related to the employment sector, the stress should be on vocational education leading to better placement in the job market. The need of the hour is to learn the latest technologies available and government institutes need to be equipped with the latest infrastructure so that students are better informed.
- b. Steps should be taken to ensure a higher ratio of enrolment among girls. As the existing infrastructure is not sufficient, adequate infrastructure, training and learning material should be made available. Locally employed teachers should be encouraged to minimize absenteeism in schools especially in the remote areas. As in the case of Madhya Pradesh, village panchayats have been associated with the supervision of functioning of schools in the villages. This

experiment has met with considerable success in reducing absenteeism on the part of teachers in Madhya Pradesh. The government of Jammu and Kashmir could try this experiment too.

URBAN DEVELOPMENT

The increasing concentration of population in the urban areas of Jammu and Kashmir has created the usual problems of shortage of houses, inadequate supply of drinking water and problems of drainage and sewerage, pollution, unemployment, poverty, etc. The continuous growth of population pressurizes the housing market, demanding more houses. With the demand for houses having increased, the quality and condition of housing have received much less attention. The mushrooming growth of private housing colonies, which are either ill planned or un-planned, have created various problems for urban local bodies in providing basic amenities to these colonies. For instance, against the demand of 63 MGD drinking water in Jammu city, the present availability is 50.80 MGD. The problem of water supply has been so acute that the PHE department has also started exploitation of ground water in a big way due to the depletion of surface water resources. With a high growth of urban areas and increase in developmental activities, the quantum of untreated wastewater and solid waste is rapidly increasing. Various sewerage schemes have been taken up by the state to tackle the problem. The continuing urbanization and relentlessly growing urban population have increased the problem of urban poverty. In order to achieve speedy development in the urban sector, the followings actions are necessary:

- a. The state government should prepare comprehensive integrated urban area development plans including zonal, district and sector plans and layouts.
- b. There should be involvement of the private sector in the provision of urban services to meet the increasing demand.
- c. The concepts of user-pay, abuser-pay and polluter-pay should be implemented while determining the service charges to assess the practical aspect of pricing.
- d. The state government can take up some externally funded projects to augment water supply and sanitation.
- e. Increasing emphasis can be given to the formation of housing cooperatives to meet the growing demands of housing facilities in urban areas.
- f. The state government should give due attention to urban transport and prepare a transport policy that is affordable, environment friendly and fuel-efficient, financially sustainable and provide accessibility and reasonable mobility to all sections of the people.

PANCHAYATI RAJ

The promulgation of Village Panchayat Regulation Act. No.1 in 1935 marked the commencement of the unique history of Panchayati Raj in the state. Subsequently the Act of 1935 was amended in 1941 to cover a wide range of subjects and to delegate more powers to the panchayats. Before the Panchayati Raj system could be introduced in the whole country, Jammu & Kashmir took a lead by passing the Jammu & Kashmir Village Panchayat Act of 1958, repealing its earlier Acts. Although the Act was passed primarily to make better provisions for the administration of Village Panchayats, the manner of its implementation made it open to manipulation by various vested interests. In order to improve the system further, the Jammu & Kashmir Panchayati Raj Act, 1989 was passed in March 1989. The information collected through informal sources reveals that at present, panchayats are not at all in a comfortable state of affairs on various counts. A large number of seats are vacant as the number of panches and sarpanches became targets of militants and lost their lives. Due to shortage of funds, panchayats are non-functional and development schemes continue to be implemented by departmental functionaries. Moreover, the delegation of power to panchayats has not taken place, keeping them in a dysfunctional state. In this context, the following major steps are to be taken:

- a. Functional devolution, both administrative and financial, is an essential step. If panchayats were assigned a developmental role and greater autonomy, it would be necessary to introduce changes in the pattern of field administration. Many statutory powers now exercised by the field-level bureaucracy may have to be transferred to the panchayats. In order to make panchayati raj effective, its revenue base needs to be strengthened.
- b. Instead of retaining nomination quotas in the Act, people should be given the freedom to choose their representatives rather than impose government-nominated people in the local government.
- c. There is a need to strengthen the planning apparatus at the *halqa* panchayat level and to reduce the workload of the Village Level Worker.

IMPROVEMENT OF GOVERNANCE

Good governance requires accountability by public officials along with transparency in regard to decisions and actions taken by various authorities. People's participation is necessary to make the system more accountable and transparent. The three divisions of the state, i.e., Jammu, Kashmir and Ladakh consist of plains, valleys and hills. It is not necessary that whatever is suitable for plains may also be

implemented in the hilly areas with the same kind of restrictions/conditions. So it becomes imperative for the state government to give importance to all the three regions as far as the implementation of the programmes is concerned. This will prove beneficial in minimizing the dissatisfaction over policies by the people concerned. The growing distrust between various communities, the increasing disparities in the regional development and the perceptible alienation and cynicism of the general public are the issues that need to be addressed urgently and imaginatively. In this context, the following measures are essential:

- a. Security concerns of officials should never become a hindrance in approaching them for the redressal of grievances by the people. Proper follow-up of these complaints and grievances should be done.
- b. Geographical conditions of different regions of Jammu & Kashmir should be considered while implementing various programmes. The state government should give importance to all the three regions equally as far as implementation of programmes is concerned. This will prove beneficial in minimizing the dissatisfaction over policies by the people concerned.
- c. The growing distrust among various communities, the increasing disparities in regional development and the perceptible alienation and cynicism of the general public are issues that need to be addressed urgently and imaginatively.

STRATEGY FOR POTENTIAL SECTORS

1 Horticulture Sector

The horticulture sector occupies an important position in the farming system of Jammu and Kashmir. The state has three agro-climatic conditions: sub-tropical, temperate and cold arid. Each agro-climatic region has its own potential to grow specific fruits. Temperate fruits like apple, pear, peach, plum, apricot, cheery, walnut, etc. grown at elevation of 1000 to 3000 metres above sea level are important cash-fetching fruits of the state. These fruits not only supplement the diet of the people in the state and country, but form an important item of our exports.

The horticulture sector plays a significant role in Jammu & Kashmir in providing employment. From the stage of tree plantation to the point of its marketing, it has a good potential in employment creation. There is need to explore other options, that too in the field of value added agriculture. However, the state is facing many problems in regard to the development of horticulture. It includes low productivity, great variability in important crops like walnut and almond, higher percentage of off-grade fruit, poor connectivity with the market place and small and fragmented land holdings.

The state government has taken certain initiatives to promote the horticulture sector. It has introduced high-density plantation of apples and soft fruits like strawberry and currants around cities and towns. In cooperation with NABARD, it has developed 19 markets, 17 satellite or rural markets, one terminal market and one grain market. Some individual fruit-growers have started the marketing of fruits as a private initiative. Still, a lot needs to be done to exploit the huge potential in this horticulture sector. Some steps are:

- a. It is essential for the state to provide proper marketing facilities to the growers especially by promoting the private initiative in the marketing of products.
- b. APEDA should be encouraged to set up an Export Promotion Zone to promote the export of selected fruits and vegetables including strawberry, mushroom and cumin seed.
- c. There should be emphasis on the optimum use of land by using high-density crops like apples. Considering the importance of research in this field, the state government should collaborate with SKUAST, which has developed certain technology, e.g., tissue culture.
- d. There is need for improvement in the post-harvest handling of fruits.
- e. The horticulture department should take certain initiatives for the development of new variety of fruits like kiwi fruit, wild apricot, nectrine, olives, etc.
- f. The climate of the state is ideally suited for production of exotic, high-value vegetable crops like asparagus and mushrooms. Asparagus, mushrooms and broccoli can be grown profitably.
- g. Since Leh, Srinagar and Jammu are connected by air, there is need to work out arrangements with the airlines for the transportation of perishable items like fruits and vegetables to Delhi, Chandigarh, Mumbai and other parts of the country.

2. Handloom and Handicrafts

The handloom and handicraft industry, the state's oldest traditional cottage industry, has special socio-economic significance due to its vast potential for economic activities like the generation of employment and revenue. All the three regions of the state have unique specialties in this sector. Jammu holds the domain in Basholi painting, calico painting, phoolkari; Kashmir specializes in carpets, shawl, wood carving, papier mache, chainstitch, crewel; and Ladakh's areas of expertise covers wood carving and painting, clay moulding, pashmina weaving, carpet, and thanka painting.

The production of the handicraft sector registered a growth of 126.07 per cent in terms of value from Rs.280 lakh to Rs. 633 lakh during 1998-2000. The handicrafts and handloom sector provides employment to over 4 lakh people. Realizing the vast potential for employment, the JAMMU AND KASHMIR government has undertaken various programmes including training programmes for the youth in different crafts and market assistance schemes. Several welfare measures have been undertaken for the weavers, e.g., modernization of the looms in order to boost the handloom activity in the state. In order to revive the handloom sector, a multi-pronged strategy as mentioned below should be pursued:

- Addition of new designs and product diversification.
- Improvement of productivity of weavers through enhancement of skills, introduction of more efficient looms and other related equipment.
- Greater market access to the handloom products produced in the state through effective marketing strategy and appropriate incentives. In this connection the National Handloom Development Corporation Ltd.'s marketing infrastructure in Delhi, Jaipur and Hyderabad should be utilized for marketing the state handloom products.

As regards the handicrafts sector, there is an urgent need for adopting a pragmatic approach to exploit its potentialities through the following steps:

- a. Adopt a cluster approach by identifying and promoting various handicrafts clusters in the state, giving them necessary support in design development, production and marketing of various handicraft items.
- b. The Central Silk Board should provide liberal assistance to re-engineer the silk sector including the establishment of a cocoon bank to enable cocoon produced in JAMMU AND KASHMIR to be reeled within the state. This would help the state to increase the value addition of cocoons both for yarn and converted fabrics.
- c. There should be a systematic promotion of handicrafts of Kashmir in international markets and developing a brand name.

3. *Tourism*

- a. Kashmir is known as the paradise on earth because of its numerous scenic spots and attractions. The other important aspect of tourism potential is the existence of shrines, monasteries, temples and cave temples in the three regions. The tourism sector has immense backward and forward linkages in

terms of both income and employment and can contribute significantly to the economy. The services of the local transport at present are not up to the international standard. All major tourist destinations in the world have hotel chains of international standard whose facilities, norms, standards are uniform throughout the world. Tourism, once the mainstay, is now languishing and the challenges faced by this sector are many. In a climate of armed militancy in Kashmir during the past ten years, the flow of tourists to the valley has dried up. The economy therefore has been severely impacted. Drastic steps, as suggested, are essential to revive the tourism sector in the State:

- Srinagar airport should be declared an international airport and made a charter destination as also Leh, capital of Ladakh.
- b. Kargil airport needs to be commissioned for the promotion of tourism to the Suru valley, Drass area and Zaskar.
- c. In Ladakh, the local residents need to be encouraged to create paying-guest or houseguest accommodation, as many tourists would love to stay in local houses and experience the Ladakhi way of life.
- d. The work on construction of a railway line connecting Jammu with the valley should be completed on a priority basis.
- e. There is need to upgrade and refurbish the Patnitop complex and consider handing over of its management to the private sector. As some pilgrims visiting Vaishno Devi Shrine visit Patnitop too, a sustained promotion campaign could attract a larger number of visitors.
- f. The people of Jammu and Kashmir are handsome, smart and hardworking and so imparting of specialized skills and state-of-the-art hospitality related technical education to them could boost tourism.

4. Information Technology (IT)

The IT industry, though not well developed in the state, has tremendous potential for growth. For developing IT, the knowledge-based industry, a large pool of educated and skilled youth in the state provides the required manpower. The geo-climatic condition offers an ideal location for setting up the IT industry. The development of this industry would help the state economy to solve the current problems of educated unemployment, weak industrial base, poor accessibility and small market. The state government has taken certain initiatives to develop this industry and its new industrial policy provides a favourable environment for increased investment in the IT industry. The state government should take the following steps to promote the IT sector in the state:

- a. Establish a university, under private auspices, on the lines of the Indian Institute of Information Technology (IIIT) as in other parts of the country.
- b. Encourage local youth to set up their own units, and persuade JAMMU AND KASHMIR Bank, SIDCO, etc., to provide soft loans.
- c. Improve infrastructure and ensure uninterrupted power to the IT units.
- d. To promote JAMMU AND KASHMIR as the premier location for world-class companies, the state government must provide infrastructure and living conditions comparable to any other location in the world. It should formulate and implement national and international promotional programmes to attract IT companies to the state.
- e. Encourage Non Resident Indians (NRIs) to invest in the IT sector.
- f. Online banking, e-commerce, e-governance, etc., new areas where IT can be used to the benefit of the economy should be focused.

5. Biotechnology

The climate of the state is ideally suited for research and development (R&D) in the field of biotechnology. Some infrastructure already exists for this purpose. As stated earlier, the state is divided into three geo-climatic zones - subtropical, temperate and cold arid zones with specific needs. Most of the research in biotechnology has taken place for temperate zones of the country. Technical innovations cannot simply be borrowed from other states. There is need to develop indigenous technology for productivity enhancement and developing new varieties of crops, keeping in mind the local conditions and demands. The only source of funding available for research in biotechnology is government funding. More private companies need to come forward and invest in R&D in the state. Another important challenge for the development of biotechnology is the linkages between the research institutes and the cultivator, a gap which becomes a hurdle in the commercialization of biotechnological research. The following steps should be taken to improve the biotechnology sector:

- a. The state government should to build the infrastructure for biotechnology research and encourage private research initiatives in hybridization, micro-propagation, tissue culture and other biotechnological applications in horticulture.
- b. The state government should emphasize the use of biotechnology to introduce new and improved cattle breeds.
- c. As the Ladakh region provides excellent soil and climate for seed production, the state government should encourage experimentation in this area. Ladakh is ideally suited for production of medicinal plants which should be encouraged.

- d. A Biotechnology Park can be set up in the state to provide basic infrastructure along with various incentives to private investors.
- e. Biotechnological methods should be used for the development of low-cost and high-nutrition fodder.

STATE FINANCE

The state has been facing serious financial problems with revenue and fiscal deficits increasing at alarming rates. The account of the state government for 2000-01 closed with a revenue deficit of Rs. 961 crore while the fiscal deficit increased to Rs.1873 crore in 2000-01. The state suffered due to militancy for a long period from 1989 onwards resulting in erosion of the tax base, increase in expenditure, depletion of infrastructure and various other factors related to law and order. The state income did not grow due to difficulties in collecting user charges and sales tax. While these factors affected the availability of funds for the business of the government and were responsible for the phenomenal increase in expenditure, inefficient fiscal management further accentuated the problem of deficit.

The problem of large and persistent revenue/fiscal deficits is serious, and calls for urgent attention. The state needs to institute improved practices of financial management and radical re-orientation of major policies for improving the efficiency of resource use. In fact, a sound and effective management of state finances calls for efficiency, economy and effectiveness of revenue and expenditure operations. There is a lot of potential for improving the revenue receipts in the state.

a. *Expenditure on establishment:* Revenue expenditure is the major drain on the limited financial resources of the state. Huge establishment cost is the single most contributory factor that has aggravated the problem of sharp increase in revenue expenditure. In this regard, the following steps may be taken:

- Most of the public sector undertakings in the state are running into losses. PSUs like the JAKFED, AIDC, JKTDC, JK Cable Car, and HPMC can be privatized as some of these organizations own large assets including cold storages, buildings and large tracts of lands which can fetch good money for the government through disinvestments.
- Government institutions that have outlived their utility, e.g., Housing Board, Agrarian Division and Command Area Development Authorities need to be abolished.
- The Voluntary Retirement Scheme (VRS) can be implemented with the

assistance of Government of India or through banking arrangement. Similar assistance can be given for dispensing with the services of employees of most of the corporations that can be listed for closure.

- There should be specific targets for the reduction of the size of the bureaucracy within a definite time frame.

b. Control of overdraft:

- An upper limit for overdraft must be fixed, keeping in view the critical requirement of the state and should be fully enforced through different measures including guidelines from RBI. There should be a special dispensation to cover the overdraft over a period of 3 years.
- The practice of re-appropriation of funds by different officers of the government beyond their competence should not be allowed without proper permission from higher authorities.
- A proper and readily accessible record of works done, under process and planned under different heads with outlays, should be maintained at different concerned levels and in all DDOs and treasury offices of the area in order to stop the duplication of payments under different heads, completely.
- All functions of the finance department and its offshoots should be computerized and linked with each other on a priority basis in order to improve the management of finances of the state and bring transparency in its financial transactions.

c. Development programme: With regard to the funding of development programmes, the following steps need to be taken:

- Re-examination of all ongoing schemes with reference to zero budgeting.
- Merging, converging or weeding out of schemes with a common objective.
- Single-source funding for similar schemes appearing on Plan and non-Plan side.
- Reviewal of projects suffering from time and cost overrun. The projects, which can be completed, soon should be accorded priority vis-a-vis those with a long gestation period.

d. Others:

- The government should make a complete shift to zero-base budgeting.
- Expenditure related to security needs to be fully reimbursed by the Government of India.

- Large-scale reforms in the power sector should be undertaken to ensure proper account of power supply and distribution and thereby reduce huge financial losses.

BORDER AREA DEVELOPMENT

The people of Jammu and Kashmir living close to the international borders have to deal with special problems arising out of their distinct geo-physical situation and concomitant socio-economic conditions. With the objective of meeting the special needs of the people of the region, the Border Area Development Programme (BADP) was introduced in 1992-93. It was started in 41 CD and NES blocks of the state bordering Pakistan. In addition, two blocks of Nyoma and Durbuk bordering China in Leh district have been brought under the programme during 1998-99, covering a total number of 44 blocks.

BADP, a 100 per cent centrally sponsored scheme, has been considered as a part of the state plan. The schemes to be taken up under the programme are prepared by the concerned departments in the state and approved by the state level screening committee. An Empowered Committee of BADP has been constituted under the chairmanship of Member-Secretary of Planning Commission, New Delhi, at the national level, and Screening Committees constituted under the chairmanship of Chief Secretary at the state level for the execution of this programme.

Under BADP, Jammu & Kashmir Government has been executing schemes in sectors such as education, health, roads and bridges, water supply, etc. Particular emphasis is being given to the improvement and strengthening of social and physical infrastructure. It is reported that these programmes have been strengthening security activities and development works in the border districts. The major recommendations in regard to Border Area Development Programme are summarized as follows:

- a. There should be a sizable increase in the utilisation of funds for rural development schemes in the state. The the pace of implementation of programmes needs to be accelerated.
- b. Efforts are needed for the development of infrastructure, generation of employment and alleviation of poverty in rural areas to bring about the desired socio-economic development of Jammu and Kashmir.
- c. There is no allocation under the head 'tourism'. Tourism may be encouraged in blocks like Nubra and Durbuk.
- d. A multi-pronged strategy is required to deal with the problems of the border

areas. This should comprise willingness to interact and discuss the legitimate grievances of the people, infrastructure development, generation of employment opportunities, good governance and effective decentralization.

- e. There is also an urgent need to undertake an impact assessment study of the schemes implemented by the government on the socio-economic conditions of the people. Such a study would help in assessing the ground realities of the impact of various schemes on the social and economic conditions of people inhabiting these areas.

CONCLUSION

As a state with unique features and a strategic location, the speedy development of Jammu and Kashmir needs an integrated approach. The top priority of the government should be to create a secure environment by improving the law and order situation in the state. State finance should also receive proper attention in order to ensure better fiscal management. A sound policy should be devised to exploit the potential in the sectors of strength. The development of potential sectors such as horticulture, handloom and handicrafts, biotechnology, tourism and information technology will have strong inter-linkages with the rest of the sectors. In a nutshell, sound policy and good governance can lead the state of Jammu and Kashmir to a faster development path.