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STRUCTURAL CHANGE AND ECONOMIC ROWTHIN JAMMU AND KASHMIR

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Abstract:

Traditionally, agriculture and handicrafts have been the cornerstone of Jammu and Kashmir's economy. However, over the past decade, the region has undergone a gradual structural shift toward a more service-oriented economic model. This paper examines the pace and nature of this structural transformation and its relationship with economic growth in Jammu and Kashmir during the period from 2010 to 2020.

The study employs descriptive statistics and trend analysis to assess sectoral contributions to the Gross State Domestic Product (GSDP), shifts in employment patterns, and changes in productivity. It relies entirely on secondary data sourced from official publications such as those from the Directorate of Economics & Statistics, the Reserve Bank of India, and various Economic Surveys.

In summary, the findings reveal a marked transition toward a service-driven economy, which has led to increased output. However, this shift has also exacerbated issues such as unemployment and a lack of industrial diversification. While structural transformation has enhanced economic resilience and diversification, the study concludes that achieving inclusive, employment-intensive growth will require targeted policy efforts. These should focus on strengthening agro-based industries, promoting further industrialization, and leveraging the service sector more effectively.

Key Words: Structural Change, Economic Growth, Sectoral Composition, Employment Shift, Jammu And Kashmir.

I. Introduction

Economic growth is not merely a quantitative increase in output—it also involves a qualitative transformation in the structure of the economy over time. One of the key indicators of this transformation is **structural change**, which refers to the shifting relative importance of different economic sectors: the **primary sector** (agriculture and allied activities), the **secondary sector** (industry and manufacturing), and the **tertiary sector** (services) (Hazrana et al., 2019). This transition is typically accompanied by rising productivity, technological advancement, greater specialization, and improved living standards.

In the context of **Jammu and Kashmir (J&K)**, structural change takes on a distinct character. Traditionally, the region's economy has been heavily reliant on agriculture—especially horticulture—and traditional handicrafts (Sheikh & Bhat, 2010). Apple cultivation, along with saffron and walnut farming, has long



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served as the backbone of rural livelihoods, contributing significantly to **Gross State Domestic Product (GSDP)** and employing a large portion of the workforce (Baba et al., 2014). This agricultural base has been supported by a vibrant handicraft industry known worldwide for products such as **pashmina shawls, Kashmiri carpets, Paper-Mâché artifacts, and wood carvings**, which not only generate revenue but also help preserve the region's cultural identity (Paul, 2018).

Over the past decade, however, J&K has witnessed notable shifts in its economic structure. While the **primary sector** remains important, its **relative contribution to GSDP has declined**, and the **services sector** has expanded significantly (Sofi, 2014). This mirrors broader patterns seen in developing economies, where structural transformation is driven by rising incomes, urbanization, targeted policy interventions, and integration into national and global markets (Ahuja, 2015). In J&K, key areas of growth in the tertiary sector include **tourism, trade, education, and healthcare**, all of which have attracted increasing levels of private investment and government focus (Singh & Unjum, 2016).

The **decade from 2010 to 2020** is particularly significant for analyzing structural change in J&K. This period saw diversification in economic activities, improved infrastructure, and a growing emphasis on **high-value agriculture, agro-processing, and service industries** (Baba, 2015). Politically, it was a transformative time, with the **abrogation of Article 370 in August 2019**, which altered J&K's constitutional status. This development opened new avenues for investment and policy reform, while the region's **transition to a Union Territory** introduced both opportunities and challenges, affecting investor sentiment, market integration, and public spending priorities (Butt & Pandow, 2012).

From a **macroeconomic** standpoint, GSDP data over the decade indicate modest but steady growth, occasionally disrupted by **natural disasters, political unrest, and security issues** (Agarwal & Malik, 2020). While agriculture's share in the economy has declined, **horticultural production—especially apples—has remained resilient**, even showing absolute growth in some years due to better market access, improved cold storage facilities, and enhanced transportation networks. Industrial development has been relatively subdued, with modest progress in **food processing, packaging, cement manufacturing, and small-scale industries**, particularly in the **Jammu division**.

The **services sector**, by contrast, has seen the most dynamic growth. Tourism, a longstanding pillar of J&K's economy, faced fluctuations in the early part of the decade but gained momentum later, thanks to infrastructure upgrades, promotional efforts, and better connectivity. This sector has also influenced



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employment patterns. Although a large share of the population remains engaged in agriculture, **younger generations** are increasingly seeking jobs in **services, government sectors, and small businesses.** Nevertheless, the growth in tertiary sector employment has not been sufficient to address the **persistently high unemployment,** especially among **educated youth,** which remains a pressing socio-economic concern.

Understanding these structural changes is crucial for informing policy, directing investment, and shaping future economic strategies in Jammu and Kashmir.

Development Profile of Jammu and Kashmir

Jammu and Kashmir (J & K) has traditionally been an agrarian economy and agriculture and allied occupations have been the source of employment and livelihood to a major section of the population. Horticulture has played a significant role in GSDP and incomes of farmers especially in apple cultivation, with thousands of people employed and with forward and backward linkages across cold storage, transport, packaging. Higher-value crops like saffron, walnuts, and almonds also enhance economic identity and export potential of the region (Malla et al., 2019). The handicrafts industry is both economically and culturally significant and is involved in the production of pashmina shawls, carpets, papier-mache products and walnut-wood carvings. It is home based and labor-intensive but is threatened by the threat of modernization, marketing, and machine-made competition, and therefore requires policy support to keep the artisan livelihoods.

The other important pillar is tourism which takes advantage of the natural beauty of the Valley, the heritage sites and culture attractions. It offers direct jobs and markets handicrafts, retailing and food services. The sector has been resilient despite its sensitivity to political unrest and climatic disturbances registering more than 1 crore tourist arrivals in 2018. J&K has mineral resources (sapphire, borax, limestone, gypsum, graphite) and hydropower potential, though it is yet to be exploited commercially due to geographical, ecological, and policy factors (Bhat, 2015). The post-2019 political changes, including the abrogation of Article 370 and reorganization into a Union Terr The economy is being diversified through efforts in connectivity, industrial estates, tourism, and digital infrastructure. Nevertheless, structural issues continue to plague the economy in the form of high levels of youth unemployment, skills mismatch, regional imbalances, and vulnerability due to dependence on agriculture and services with a low industrial capacity.

II. Objectives

- To examine the structural change in the economy of Jammu and Kashmir during 2010–2020.



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- To analyse the contribution of different sectors of the economy (Primary, Secondary, and Tertiary) to the State Domestic Product of Jammu and Kashmir during the study period.

III. Research Methodology

The current research will be using only secondary sources of data, with the time span of 2010-2020. The information about sectoral Gross State Domestic Product (GSDP), employment and other economic indicators have been gathered through the Directorate of Economics & Statistics, Government of Jammu and Kashmir, and other reports published by the Reserve Bank of India (RBI), Economic Surveys, and Census.

The study focuses on the following dimensions:

- **Sectoral Contribution Analysis-** The contribution of primary, secondary and tertiary sector to GSDP is determined to evaluate structural changes in the economy.
- **Growth Trend Analysis-** The annual growth rates of sectoral GSDP are analyzed in order to determine the rate and path of economic transformation.
- **Employment Structure-** Where possible, the pattern of employment in the three sectors is evaluated to determine labour movement and shifts in productivity trends.
- **Comparative Productivity-** This compares the level of productivity within a sector by comparing the output of a sector to the level of workforce being utilized.

The analysis uses the tools of trend analysis and descriptive statistics as the primary tools of the study. In addition, to process the data, to calculate growth rates and shares of percentages, and to compile tables/figures, the study used Microsoft Excel as the main analytical tool. These tools allow seeing the trends, calculating the sectoral shares, and analyzing the growth paths without creating complex econometric models, and the methodological approach of the study is to focus on a clear and policy-oriented picture of structural change. The methodology is a combination of quantitative data analysis and statistical data processing with qualitative observations of policy initiatives, investment flows, infrastructure development, and market conditions. This hybrid methodology gives a complete snap shot of the way structural change and economic growth have taken place in Jammu and Kashmir over the study period.



IV. Results

a. Overall GSDP Growth (2010–2020)

The economic activity of Jammu and Kashmir in the decade 2010-2020 is a story of resilience, adaptation and slow diversification. The Gross State Domestic Product (GSDP) at constant (2011-12) prices was estimated to be 76,690 crores in 2010-11, and 78,256 crores in 2011-12. In 2014-15, the economy surpassed the mark of 90,000 crore and it grew further to 1,19,043 crores in 2019-20. This constitutes a compound growth of almost 55 percent in a decade, meaning the annual growth rate is at 5-6 percent (Table 1).

Table 1: GSDP of Jammu & Kashmir at Constant (2011–12) Prices, 2010–2020
 (Source: <https://link.springer.com/book/10.1007/978-94-011-9231-6>)

Year	GSDP (₹ Crore)	Annual Growth (%)
2010–11	76,690	—
2011–12	78,256	2.0
2014–15	90,000+	~5.0
2017–18	1,07,445	6.4
2019–20	1,19,043	5.4

Table 1 shows clearly that the GSDP of Jammu and Kashmir was on an overall growth trend in the decade. Although there is a short-term variation because of certain events like the 2014 floods, political unrest, and security restrictions, the long-term trend is the stable growth. In 2017-18, the economy crossed the 1,00,000-crore mark and then in 2019-20, the economy had touched 1,19,043 crores (Gupta, 2012). The rate of growth was especially high in the second half of the decade due to the greater input of the service sector, tourism, and small-scale industries. The data points out that although the shocks caused temporary slowdown, it did not take away the positive momentum, thus demonstrating the resilience and flexibility of the regional economy.

b. Sectoral contributions to GSDP

A further examination of the sectoral performance will show that there is structural transformation taking place in Jammu and Kashmir. The relative significance of various sectors has changed significantly between 2010-11 and 2019-20 as indicated in Table 2.



Table 2: Sectoral Contribution to GSDP (₹ Crore & % Share)

(Source: [https://www.ibef.org/states/jammu-and-kashmir-presentation#:~:text=Jammu%20and%20Kashmir%20\(J%26K\)%20is,billion\)%20in%202023%2D24.](https://www.ibef.org/states/jammu-and-kashmir-presentation#:~:text=Jammu%20and%20Kashmir%20(J%26K)%20is,billion)%20in%202023%2D24.))

Sector	2010–11 (₹ Cr / %)	2019–20 (₹ Cr / %)	Change (pp)
Primary	23,200 / 30.2%	27,800 / 23.3%	-6.9
Secondary	10,500 / 13.7%	17,900 / 15.0%	+1.3
Tertiary	42,900 / 56.0%	73,343 / 61.7%	+5.7

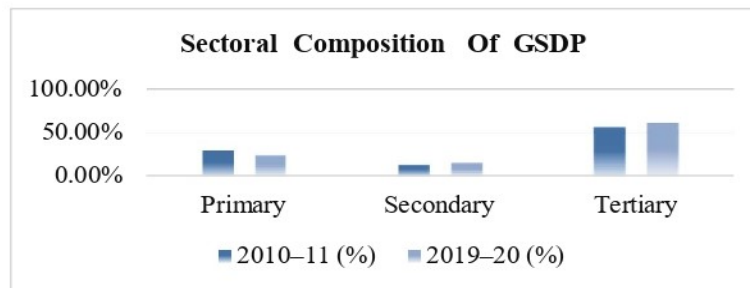


Figure 1: Sectoral Composition of GSDP (% Share) in Jammu and Kashmir, 2010-11 and 2019-20

(Source: Self-Made)

Table 2 indicates the structural transformation in the economy of Jammu and Kashmir. Primary sector, which had grown marginally in absolute terms (by 3,600 crore) in GSDP at 23,200 crores to 27,800 crores, had witnessed a steep fall in its share in GSDP by 6.9 percentage points indicating a slowing down of agriculture as the main growth driver. The secondary sector posted a small increase, increasing to 15% of GSDP exhibiting some industrial advancement but not sufficient to declare industry a significant growth driver. Conversely, the tertiary sector became the most vibrant contributor growing not only in absolute terms (42,900 crore to 73,343 crore) but also in share of GSDP by 5.7 percentage points, highlighting the rising supremacy of services in the form of tourism, trade, education, healthcare and financial services. Such movement to service-oriented economy shows that Jammu and Kashmir is also on the path of becoming a service economy with little industrial growth serving as a transition between agriculture and service sector.

Primary Sector

Although the primary sector is central to the livelihoods of the rural areas, its share of the GSDP dropped between 2010-11 and 2019-20, by 30.2 to 23.3 percent. In this industry, horticulture became the mainstay of the regional economy as indicated in Table 3.



Table 3: Key Contributions within Primary Sector (2019–20)
 (Source: <https://jkdhpm.in/>)

Sub-Sector	Contribution (₹ Crore)
Apple Production	8,000+
Saffron, Walnuts, Almonds	1,200–1,500

Table 3 shows that horticulture is the main industry in the primary sector of Jammu and Kashmir. Apple cultivation in itself is the largest source of agricultural income in the state with the annual contribution of over 8000 crores. This means that apples do not just become critical sources of rural employment but also a major source of revenue in terms of forward linkages in cold storage, packaging, and transport. Further diversity and resilience are provided by the contribution of saffron, walnuts, and almonds that are worth 1,200-1,500 crore annually. Pampore saffron and walnuts grown in other areas such as Kupwara and Shopian have international reputation, empowering the export ability as well as the cultural identity of the agriculture of the region. Nevertheless, in spite of the strengths, the table also shows the narrow focus in the primary sector. J&K agriculture is highly dependent on horticulture, especially apple, which exposes it to weather-related risks, pest infestations, and market vagaries. Besides, structural issues like the parcelization of land, reliance on conventional agricultural methods, and low levels of mechanization inhibit productivity increases.

Secondary Sector

- The secondary sector (industry) generated a value of around 10,500 crores in 201011 with a share to GSDP of 13.7 percent.
- It grew to 15 per cent by 201920, and 17,900 crores.
- The development of new small and medium sized enterprises especially in the food processing, packaging, cement and handicrafts-based manufacturing supported growth in this sector.
- Government incentives like tax rebates and subsidy of the new industrial units allowed industrial estates in Samba, Kathua, and Pulwama to become regional growth hubs.

Nonetheless, the secondary sector was not particularly advancing as compared to the services despite these gains. Its low growth of only 1-1.5 percentage points in



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the share of GSDP in the past decade implies that industrialization is yet to become a leading growth factor. This highlights the necessity of tougher industrial policy, superior infrastructure and better credit facilities to speed up the rate of industrial development (Khan, 2018).

Tertiary Sector

The tertiary sector became the most dynamic driver of growth, rising from 56% to 61.7% of GSDP. Tourism was a key contributor, supported by education, healthcare, and trade-related activities.

Table 4: Selected Tertiary Sub-Sectors (2010–2020)

(Source: <https://www.ceicdata.com/en/india/resident-visits-by-states/visitor-arrivals-local-jammu--kashmir>)

Sub-Sector	Performance Highlights
Tourism	1 crore arrivals in 2018; ~85–90 lakh in 2019
Education & Healthcare	Sustained urban demand, rising investment
Trade & Financial Services	Expansion of banking, digital services, financial inclusion

The table 4 shows how the tertiary sector has been diversified and dynamic in Jammu and Kashmir between 2010 and 2020. Tourism was the marquee sub-sector, where the arrival number was highest in 2018 (nearly 1 crore) and rose to 8590 lakhs in 2019 following a temporary dip in the years of unrest. Not only did this create direct job opportunities in hospitality and transport services but also created high multiplier effects on handicrafts, retail trade and food services. With tourism, education and the healthcare sectors experienced sustained growth, which was supported by the growing urban demand and the corresponding increase in the amount of both private and government investment.

On the same note, the trade and financial services segment also grew as a result of better connectivity, increased use of digital platforms, and financial inclusion programs. Combined, these tendencies highlight that services have become the most robust and futuristic part of the economy, which softened the blow of the slowing industrial growth and resulted in a decisive turn toward the service-driven development model.

c. Evidence of Structural Transformation

The structural transformation of the economy in Jammu and Kashmir can be gauged through the transformation in sectoral shares, employment patterns and diversification patterns.



Table 5: Evidence of Structural Transformation, 2010–2020
(Source: <https://veterinaria.org/index.php/REDVET/article/view/556>)

Indicator	2010–11	2019–20	Trend
GSDP (₹ Cr)	76,690	1,19,043	↑
Primary Share (%)	30.2	23.3	↓
Secondary Share (%)	13.7	15.0	↑
Tertiary Share (%)	56.0	61.7	↑
Tourism Arrivals	<70 lakh	~90 lakh	↑
Youth Unemployment	High	Higher	Persisting

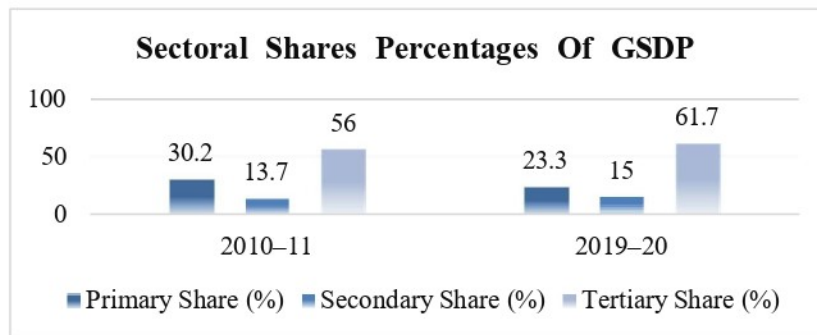


Figure 2: Sectoral Shares Percentages of GSDP (Source: Self-Made)

Table 5 offers a complete overview of the structural change that has taken place in Jammu and Kashmir within the period between 2010 and 2020. The GSDP has increased enormously in the period 2010-11 (76,690 crore) to 2019-20 (1,19,043 crore) due to consistent economic growth despite the political instability, climatic shocks and security related disruptions. Nonetheless, the sectoral structure of this growth shows that there was a decisive change in the direction of agriculture to services.



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The contribution of the primary sector fell drastically by 6.9 points to 23.3 percent, reflecting the declining importance of agriculture and allied activities in the economy, although the high-value horticulture remained on an upward trend in absolute terms. The secondary sector made a relatively small contribution, rising by only 1.3 percentage points to 15 percent of GSDP, indicating that industrial growth was slow and could not act as the potent “bridge” between the agricultural and service sectors that it did in other transitioning economies. In comparison, the tertiary sector increased to 61.7% as compared to 56% thereby solidifying its position as the lead growth driver. In services, tourism emerged as a major sub-sector, with arrivals increasing to less than 70 lakhs to approximately 90 lakhs towards the end of the decade, generating robust multiplier impacts related to retail trade, handicrafts and the hospitality industry (Mehdi, et al., 2018).

V. Discussions and Conclusions

The period of 2010 to 2020 reveals that the economy of Jammu and Kashmir is undergoing a gradual but certain structural change. The decline in the proportion of the primary sector and the modest growth of the secondary sector, and the continuing acceleration of the tertiary sector represents the classical trend of economic development witnessed in several economies in transition. The nature and speed of this change, however, are distinctively determined by region-specific constraints, such as political transition, long-term security issues, climatic threats and infrastructural shortcomings. Such conditions have limited the growth possibilities and also shaped the path of change (Jones et al., 2010).

Tertiary sector has become the major engine of growth and this is headed by tourism, trade, education and healthcare. The rebound of tourism, particularly the approach of 2016-17, served as a booster, creating a multiplier impact on transport, hospitality and retail. Meanwhile, old industries like horticulture and handicraft were still offering cultural stability and rural economy. In comparison, the secondary sector, which is backed by industrial estates and government incentives in food processing, packaging and small-scale manufacturing is not fully developed. Such a poor performance means that the industrial development is not at a level to stabilize the economy and create workplaces. The labor aspect highlights the improvements and the problems. The shift in labour away to agriculture to services is an indication of the continued restructuring of labour market. However, the low rate of development in industry and capital-intensive character of most new service activities have limited job creation. This has led to continued unemployment particularly among the educated youths, a phenomenon that poses a lot of socio-economic dangers when not addressed (Sonpar, 2014).



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To make this structural change sustainable, Jammu and Kashmir need to have sector-specific and holistic policy interventions to cement this change. On the one hand, primary and secondary sectors can be connected by developing agro-based industries and constructing value chains around horticultural products, which will enhance income as well as employment. Conversely, there is a need to rejuvenate the traditional crafts by using modern marketing channels, and in the same breath, increase the opportunities to gain skills and vocational training. Promotion of entrepreneurship, investment in infrastructure, and enhancement of connectivity are also important in the expansion of market access and competitiveness. In conclusion, Jammu and Kashmir has done an admirable job in diversifying its economy and lessening its reliance on agriculture. The main problem however is how to make this transformation not only inclusive, employment intensive and sustainable. Such balanced growth will be achieved by tapping into the natural and cultural resources of the region, and encouraging innovation, industrial growth, and policy patterns consistent with the larger objective of economic resilience and social stability.

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