

The Kashmir Chamber of Commerce and Industry

PRELIMINARY ECONOMIC LOSS ASSESSMENT REPORT

Period of Study:

5th of August 2019 to

3rd of December, 2019

INTRODUCTION

The Kashmir Chamber of Commerce and Industry is releasing this preliminary report about the present condition of Kashmir's economy in the aftermath of the evolving economic disruption. In our press conference on the 2nd of August, 2019, the Kashmir Chamber of Commerce and Industry reacting to the advisory issued by the Government advising tourists and yattris to leave Jammu Kashmir had stated as under:

*“...the order has not only managed to pour water over the efforts of the State Government for tourism promotion and broken the back of the tourism sector, it **has in a single fell swoop caused irreversible damage to the economy of the State. A breakdown of the economy is imminent**”.*

To have a better comprehension about the existing condition of the economy, a look at the important events and hardships of the previous few years would be pertinent. The floods of September 2014 had a devastating impact on the economy. The Central Business District in Srinagar was under 17 to 18 feet of water. Various estimates, including the official estimates, put the figure of losses incurred in 2014 between 40,000 Crores to 1,00,000 Crore. The insurance companies, under directions from the Hon'ble High Court in a petition filed by the Kashmir Chamber of Commerce and Industry, settled one of the largest claims of the country amounting to almost Rs 3,000 Crores. The scale of devastation can be gauged by the fact that insurance cover was available to only a small minority. This was followed by the six month long shutdown and protests of 2016. Subsequent policy decisions of demonitisation and implementation of Goods & Services Tax (GST) created further financial stress on the economy of Kashmir. Additional problems like overall slowdown, connectivity issues and disturbed conditions have brought the business community at the verge of a breakdown. The Government is on record to have stated that despite several interventions by them the condition of the economy needed major support. The current spell of disruptions could not have come at a worse time.

The present disruption has resulted in loss of jobs to lakhs, borrowers of financial institutional have lost their capacity to fulfill their commitments and a substantial number of accounts are likely to turn bankrupt, many business establishments have closed down or are contemplating closure. The sectors directly dependent on internet like information technology and e-commerce have been ruined. The government intervention in the horticulture sector for which Rs 8,000 Crores were earmarked for purchase of apples has come a cropper and caused price turmoil and panic sales. The fruit crops suffered heavy losses and fruit trees suffered permanent damage due to the unavailability of weather updates on the heavy snowfall. The

replacement of trees will take years and crop losses for this period needs to be separately accounted for. Loss of life and serious injuries have been reported due to people caught unprepared in snowfall related accidents. No serious exercise has been undertaken to either assess the losses or to support the helpless farmers. Tourism sector is in shambles. Artisans and weavers are jobless. With estimated losses of around Rs 2,520 Crores, manufacturing is in tatters. Transporters cannot find buyers for their vehicles. Automobile dealers and potential buyers of new vehicles have been burdened with an unprecedented tax of 9 to 10 percent – a forty fold increase on the existing rates and even the GST portion is loaded with this tax. General Trade is impacted to the extent of Rs 3,200 Crores. Following the detention of the President of the High Court Bar Association, Mr Mian Abdul Qayoom, senior lawyers have abstained from work since August, 2019 impacting the dispensation of justice during the period analysed. Journalists have had to function without access to internet which has severely impaired their functioning. Healthcare has suffered as Doctors had also lost all means of communication and even now there are still restrictions on communications, though reduced. Students faced major academic disruption in their pursuit of education. The business community has not been able to file their online returns, faced hardships in the generation of e-bills and other allied difficulties resulting in a crippling impact. There is not a sector of the economy which has escaped the brunt of the disruption. There are reports of the situation taking a toll on the mental health of the population and people turning sick. *A state of crisis exists and there is injurious and demeaning diminution of necessary civil liberties.*

Before Jammu and Kashmir embarks upon the course of promised development, the role of Kashmiri business community having invested their blood and sweat needs to be clearly defined. The primacy of claim on the resources of Kashmir should, without any ambiguity, lie with the locals. Decisions having any impact on their future should be taken only by them. So far the thrust seems to be on non-local investors and investments. There is a feeling amongst local stakeholders of **exclusion** and **marginalization**. Kashmiri economic interests **appear to be in harm's way** and the continuation of the present situation only leads towards **distress sales of assets and bankruptcy**.

The agenda of development itself, in view of the existing situation and *the injured financial condition of locals*, would only appear to be *segregationist* and *predatory* in nature. An environment requiring a heavy presence of troops armed to the teeth, curtailment of basic liberties and choking regulation which has left Kashmiri's reeling cannot be conducive for their development. Before the local stakeholders can think about development, it would be reasonable to expect that a proper environment is created for debate, dialogue and discussions. This **entails the immediate release of prisoners representing the political, constitutional, religious, civil**

and business leadership of Kashmir and the youth held captive since more than four months and lifting of all curbs. The question that needs to be asked is who is the beneficiary of a situation of conflict and what purpose is served by ruination of Kashmir's economy. Having been witness to one of the most prolonged conflicts in the world and seen the devastation it brings, we do not share the fascination about strife as some elements apparently have.

This report is a small step towards putting on record the economic losses the population of Kashmir has suffered in their quest for a life of dignity, respect and honour. In this regard, *no compensation - in any manner whatsoever - is sought* from any quarter. In the compilation of this report, wherever possible, details and data have been sought from stakeholders and experts. The Kashmir Chamber of Commerce and Industry would welcome any suggestions or corrections from stakeholders and experts for improving upon this report.

Two methods for assessment of losses have been adopted by the Kashmir Chamber of Commerce and Industry. One is the top down method of loss estimation based on J&K's Gross Domestic Product of 2017-18 based on J&K's Economic Survey 2017-18. In this regard, the study has focused on the ten districts of Kashmir Valley comprising 55% of the total population of Jammu and Kashmir. A time span of 120 days has been assumed for the calculations. As per this method, Kashmir's economy has suffered a loss of Rs 17,878.18 Crores (Rupees Seventeen Thousand Eight Hundred and Seventy Eight Crores Eighteen Lacs Only). Table-A gives a detailed break-up of this method.

The second method is based on a sector-wise study of the local economy. An assessment based on the actual number of unit holders and persons engaged in each sector, job and financial losses suffered by them was undertaken. For example, the Tourism sector has been broken into its various sub sectors like Tour Operators (Inbound & Outbound), House Boats, Hotels, Tourist Transport, Shikara's, Adventure Sports and other allied sectors. Efforts were made to make the report as inclusive as possible. Therefore, losses suffered by Pony Wallahs, Rafting Groups to Photographers and Guides have also been assessed. The available data about the sub-sector was compiled in consultation with the respective representative associations. In this manner, the Tourism Sector shows a loss of Rs 1,056,32,64,000/- (Rupees One Thousand Fifty Six Crores Thirty Two Lacs Sixty Four Thousand Only). The estimate of total losses using this method is Rs. 14,296,10,64,240/- (Rupees Fourteen Thousand Two Hundred Ninety Six Crores Ten Lacs Sixty Four Thousand Two Hundred and Forty Only). Sector-wise details are provided in Table B.

For: The Kashmir Chamber of Commerce and Industry

(Sheikh Gowhar Ali)

Jt Secretary General

Dated: 17th of December, 2019

THE KASHMIR CHAMBER OF COMMERCE & Industry							
TABLE-A							
Loss Estimated for ten districts of Kashmir Valley for a period of 120 days starting from August 5th, 2019							
S	Sub Sector	Sector	(Col-3)	(Col-4)	(Col-5)	Capacity at which	Net Loss
N o.	-		Previous Year (2017-2018)	Previous Year Contribution	Interpolating the Annual Output	Economy was	in
			Annual Economic Output from entire J&K	at 60% from 10 Districts of Kashmir Valley	for a duration of Impact (120 days of peak season). Assuming	Operating during the Impact Period = 15%	Rs. Crores
			(Sub-Sector Specific)		Contribution 40% of the Annual	Average	(Col-4
			(Approximately in RS Cr.)		Output	(Working at 15% of	Minus
			at Current Prices	(60% of Col-3)	(40% of Col-4)	Col-5)	Col-5)
1	Agriculture / Horticulture /Other	Agriculture	15119	8315	3326	499	2827
2	Livestock	&	9435	5189	2076	311	1764
3	Forestry & Logging						
4	Fishing & Acquaculture	Allied Services					
5	Manufacturing		11211	6166	2466		2466
6	Construction		8712	4792	1917	287	1629
7	Mining & Quarrying	Industries					
8	Electricity, Gas, Water and other Utility Services						
9	Trade /Hotel / Resaurant		13983	7690	3076	461	2615
10	Transport / Communication		12125	6669	2667	400	2267
11	Financial Services	Services	6331	3482	1393	209	1184
12	Real Estate, Ownership of Dwelling & Professional Services		16712	9192	3677	551	3125
13	Public Administration & Defence						
14	Other Services						
Total Estimated loss of 120 days for 10 districts of Kashmir Valley starting from 5th August, 2019							17878.18
PRELIMINARY ECONOMIC LOSS ASSESSMENT REPORT							
							Page 8/9

		THE KASHMIR CHAMBER OF COMMERCE & INDUSTRY			
		Table-B			
S No.		Sector Wise	Per Day	120 Days	Job Losses
1	<u>Tourism</u>		88,027,200	10,563,264,000	74500
2	<u>Handicrafts/Kashmiri Carpets</u>		60,081,667	7,209,800,040	70,000
3	<u>Horticulture/Floriculture/Agriculture/Sericulture</u>		166,666,667	20,000,000,040	12000
4	<u>Industry</u>		210,000,000	25,200,000,000	70000
5	<u>General Trade</u>		264,833,334	31,780,000,080	120000
6	<u>Transport</u>		134,300,000	16,116,000,000	60000
7	<u>Contractors & Infrastructural Construction & Power Projects etc</u>		133,333,334	16,000,000,080	20000
8	<u>Medical & Healthcare</u>		4,500,000	540,000,000	2500
9	<u>Service Sector</u>		58,100,000	6,972,000,000	66000
10	<u>Education Sector</u>		4,000,000	480,000,000	0
11	<u>Finance Sector</u>		67,500,000	8,100,000,000	1000
		Total Amount	1,191,342,202	142,961,064,240	496,000
PRELIMINARY ECONOMIC LOSS ASSESSMENT REPORT					Page 9/9
Dated: 17-12-2019)					