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Economic & Development Outlook

*A Critical Assessment of Growth Trajectories,
Structural Challenges, and Strategic Opportunities
2019–2026*



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EDITORS

- Dr. Firdous Ahmad Malik
- Dr. Jaskaran Singh
- Mr. Owais Ismaeil
- Dr. Naveed Ahmad Lone
- Dr. Nitin Bisht



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JAMMU & KASHMIR: Economic & Development Outlook (April-June 2026)-A Critical Assessment of Growth Trajectories, Structural Challenges, and Strategic Opportunities 2019 to 2026

Firdous Ahmad Malik¹ [\[ORCID\]](#), Jaskaran Singh² [\[ORCID\]](#), Owais Ismaeil³ [\[ORCID\]](#), Naveed Ahmad Lone⁴ [\[ORCID\]](#), Nitin Bisht⁵ [\[ORCID\]](#)

¹ University of People, USA

² Ramgarhia College Phagwara, Punjab, India

³ Department of History, University of Delhi, New Delhi, India

⁴ Government Degree College Boys, Pulwama, J&K, India

⁵ H. N. B. Garhwal University, Srinagar (Garhwal), Uttarakhand, India

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CORRESPONDING AUTHOR

Firdous Ahmad Malik

Email: malikfirdousrcr@gmsil.com

ORCID: [0000-0002-7815-0143](https://orcid.org/0000-0002-7815-0143)

ABSTRACT

The Jammu & Kashmir Economic and Development Outlook 2025-26 is a comprehensive Outlook of the economic performance of Jammu & Kashmir, its structural transformation and future development prospects. The analysis shows that the country is making some good progress in the area of infrastructure, tourism and public investment, but still has significant issues to address in employment creation, fiscal dependency, industrialization and private sector investment. It is expected that the nominal Gross State Domestic Product (GSDP) of Jammu and Kashmir at the current prices will stand at Rs. 2.86 lakh crore, with a real growth rate of 5.82 percent in 2025-26. The growth of per capita income has increased to Rs. 1,68,243, showing a moderate upward trend, and an annual growth rate higher than some of its adjacent states. The region, however, is still not converged with the national average per capita income and significant progress is needed. The service sector still leads the economy with more than 61 percent shares in GSDP. Although tourism has become a key contributor to the economy, still there are several concerns in the area of low value tourism and environmental sustainability and low proportions of international tourists. The most important change since 2019 has been the speeding up of

investments in infrastructure. The long-term economic competitiveness will also be improved by major projects, such as Udhampur-Srinagar-Baramulla Rail Link, national highway development and better air connectivity, that will help ease logistical constraints, enhance market integration and promote long-term competitiveness. Despite good investment intentions, industrial development is a key challenge. Inflows of investment proposals have been received which are exceeding Rs. 1.63 lakh crore, but investment realization and foreign direct investment inflows are limited. The difference between announced investment and on ground implementation calls for strengthening of the institutional capacity, ease of doing business and investor confidence. There are also fiscal sustainability issues. Centre's transfers are the dominant source of revenue for Jammu & Kashmir, with a modest proportion of its current spending coming from its own revenue. The productive economic base needs to be widened and the ability of domestic revenue generation needs to be enhanced, given the significant increase in public debt in recent years. Perhaps the most pressing development challenge is employment generation. While economic growth has been maintained, unemployment is higher than the national average, especially for women and youth. The report recognizes that there are a number of strategic opportunities that can shape the future of the region's economy. They encompass the utilisation of its estimated 18,000 MW hydropower potential, modernization of horticulture and food-processing industries, development of information technology and digital services, promotion of high value tourism and eco-tourism, development of handicrafts exports, investment in renewable energy and other such areas. The report has overall concluded that Jammu & Kashmir is at a pivotal phase of its economic development. The area has significant natural resources, strategic potentials, good infrastructure and evolving human resources. However, the long-term success will rely on turning public financial into private sector growth, on creating sustainable employment opportunities, on decreasing fiscal dependence and on developing in an environmentally responsible way. The next ten years will be critical in shaping the success or failure of Jammu & Kashmir's economic development and its ability to build a sustainable, inclusive and self-reliant growth model that will lead to prosperity for all.

1.1 MESSAGE FROM THE PRESIDENT

I am pleased to introduce the Jammu & Kashmir Economic and Development Outlook 2025-26 by Jammu & Kashmir Economic Association (JKEA). This report represents a critical snapshot of the region's development path, providing an in-depth overview of the region's economic performance, opportunities and ongoing structural challenges. Jammu & Kashmir is in the midst of transformation and opportunity. The area has been a focus of infrastructure development, better connectivity, increased tourism and renewed policy interest in the last few years to speed up the economic development. However, employment creation, industrialization, fiscal viability, and environmental sustainability remain critical issues that need targeted policy action. The intent of this report is not just to provide economic figures and statistics but to encourage informed discussion on the trajectory of Jammu & Kashmir's economic future. We aim to combine data-driven analysis and evidence-based insights to help deepen the understanding of opportunities and constraints to the region's development path. The results in this report are both a reflection of what has been accomplished and a sign of what is yet to come. To achieve sustainable prosperity, the role of the private sector must be further developed, more investment must be converted, entrepreneurship must be fostered, human capital must be strengthened and growth must be inclusive and eco-friendly.

The Jammu & Kashmir Economic Association continues its efforts in the field of research, policy dialogue and thought-provoking debates on matters of regional and national significance. We believe that strong economic analysis is a core ingredient of making effective decisions and good public policy. I would like to express my gratitude to all the researchers, contributors, institutes and stakeholders for making the present publication possible. I hope this report will be a useful resource for policy makers, academia, students, industry and development practitioners as well as for anyone interested in the economic future of Jammu & Kashmir. Looking forward, let's collaborate to create an economy that is prosperous, resilient, and inclusive, and that can harness the full potential of Jammu & Kashmir for the benefit of current and future generations.

Dr. Firdous Ahmad Malik

President

Jammu & Kashmir Economic Association

2.0 OVERVIEW

Jammu & Kashmir, the northernmost Union Territory of India, covers approximately 42,241 square kilometres and has an estimated population of around 14 million in 2025-26, compared with 12.27 million recorded in the 2011 Census. The Union Territory shares international borders with Pakistan to the west and China to the northeast, while also bordering the Indian states of Himachal Pradesh and Punjab. Its unique geographical location, diverse topography, and abundant natural resources have significantly influenced its economic development, trade, connectivity, tourism, and strategic importance.

Jammu & Kashmir possesses considerable economic potential supported by its rich horticultural base, substantial hydropower resources, growing tourism sector, skilled human capital, and expanding infrastructure network. These strengths provide a strong foundation for long-term economic development while creating opportunities for greater private investment, industrial expansion, and regional integration.

The administrative and policy changes introduced in 2019 marked an important phase in the region's evolving development framework. These changes enabled the implementation of several national policies relating to governance, industrial development, investment, and infrastructure. Over the subsequent years, Jammu & Kashmir has witnessed increased public investment, improvements in transport connectivity, expanding digital infrastructure, renewed policy emphasis on industrial growth, and a gradual strengthening of economic activity across several sectors.

Despite these developments, important structural challenges continue to shape the region's economic trajectory. Employment generation remains a major concern, industrialization continues to lag behind its potential, private sector investment requires stronger implementation, and fiscal dependence remains significant. These challenges highlight the importance of assessing economic performance not only through headline growth indicators but also through the quality, sustainability, and inclusiveness of development.

This report provides a comprehensive assessment of Jammu & Kashmir's economic performance during the period from 2019 to 2026. It examines macroeconomic trends, fiscal conditions, sectoral transformation, infrastructure development, tourism, industrial growth, employment dynamics, investment patterns, energy potential, and emerging strategic opportunities. The objective is to present an evidence-based evaluation of the region's economic progress while identifying the structural challenges and policy priorities that will shape its long-term development.

The analysis presented in this report evaluates both the progress achieved over recent years and the areas where sustained policy attention remains essential. By combining official economic data with critical analysis, the report aims to provide policymakers, researchers, industry stakeholders, and the wider public with a balanced understanding of Jammu & Kashmir's evolving economic landscape and its future development prospects.

Table 1.1: Key Economic Indicators, J&K 2025-26

Rs. 2.86 Lakh Crore: Nominal GSDP 2025-26	5.82%: Real GSDP Growth Rate 2025-26	~0.8%: Share of India's National GDP
Source: Economic Survey 2025-26	Source: Economic Survey 2025-26	Source: Economic Survey 2025-26
Rs. 1,68,243: Per Capita Income 2025-26	6.1%: Unemployment Rate 2023-24 (vs. 3.2% national)	52%: Total Debt as % of GSDP (Rs. 1.25 Lakh Cr)
Source: Economic Survey 2025-26	Source: PLFS / Economic Survey 2025	Source: Economic Survey 2024-25

Sources: J&K Economic Survey 2025-26 [1]; PLFS / Economic Survey 2025 [2]; Economic Survey 2024-25 [3]

- *Key Insight: J&K's per capita income of Rs. 1,68,243 (2025-26) remains approximately 16% below India's national per capita income of Rs. 2,00,162 despite growing faster (CAGR 8.3% vs. Punjab's 6.22% and HP's 6%). The gap is closing, but convergence to national average may take another decade at current pace.*

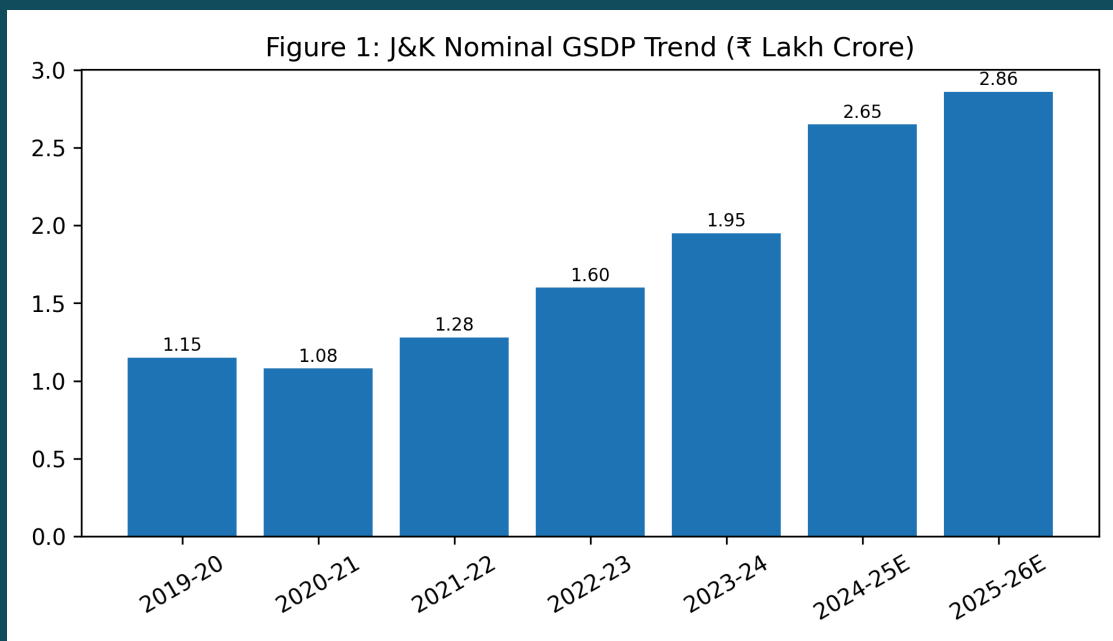
3.0 MACROECONOMIC PERFORMANCE & GROWTH TRENDS

3.1 GSDP Trajectory

J&K's economy, measured by Gross State Domestic Product, has grown substantially in nominal terms, though real growth stripping inflation tells a more measured story. The nominal GSDP is estimated to reach **₹2.86 lakh crore** in 2025-26 (from ₹2.65 lakh crore in 2024-25), reflecting an 8.89% nominal expansion.

Fig. 1: J&K Nominal GSDP Trend (₹ Lakh Crore) - 2019–20 to 2025–26E

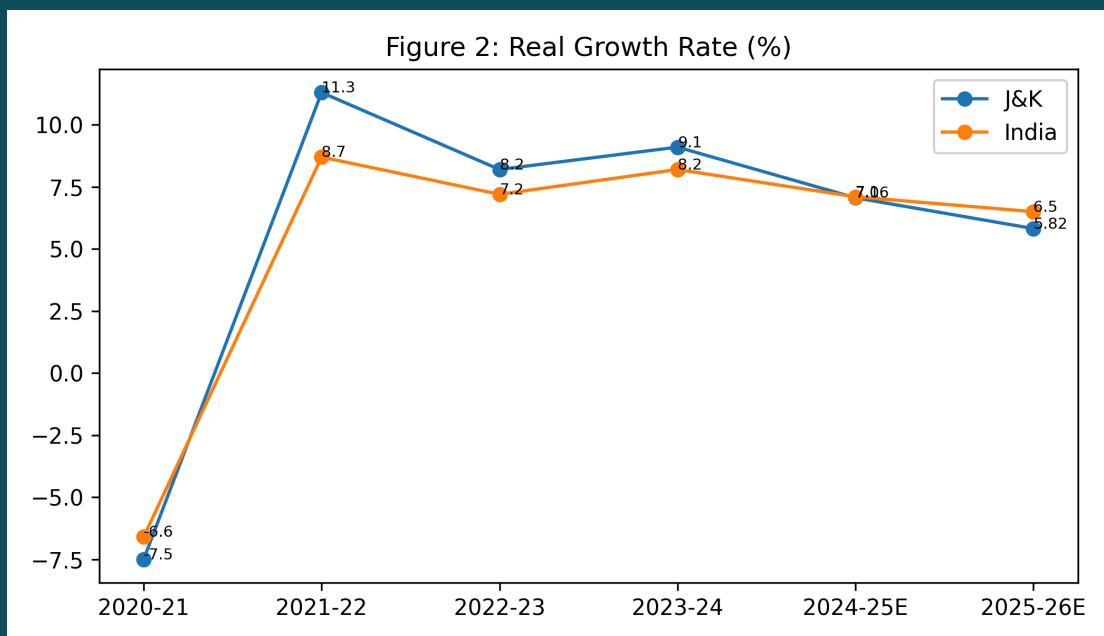
Year	Nominal GSDP	Real GSDP
2019–20	1.15	1.05
2020–21	1.08	0.97
2021–22	1.28	1.08
2022–23	1.60	1.21
2023–24	1.95	1.36
2024–25E	2.65	1.45
2025–26E	2.86	1.5



Sources: J&K Economic Survey 2024–25 & 2025–26; IBEF. E = Estimate.

Fig. 2: Real GSDP Growth Rate (%) - Annual Trend

Year	J&K	India
2020–21	-7.5	-6.6
2021–22	11.3	8.7
2022–23	8.2	7.2
2023–24	9.1	8.2
2024–25E	7.06	7.1
2025–26E	5.82	6.5



Sources: J&K Economic Survey 2025–26; PRS India Budget Analysis 2025–26.

Critical Note

The CAGR in real GSDP of 4.47% (2019–20 to 2024–25) is modest when compared to J&K’s nominal CAGR of 8.55% (2018–19 to 2024–25). The gap between nominal and real growth reflects persistent inflationary pressure particularly in food, construction, and services. Headline growth figures conceal this compression of real purchasing power.

The trajectory of GSDP over the past several years reflects both the resilience of Jammu & Kashmir’s economy and the challenges associated with sustaining long-term growth. The strong recovery observed following the pandemic has been supported by increased public expenditure, infrastructure development, improvements in connectivity, and the gradual revival of economic activity across key sectors, particularly tourism and services. While these factors have contributed to higher economic output, the moderation in projected real growth for 2025–26 suggests that the economy is transitioning from a phase of post-pandemic

recovery to one where sustained growth will increasingly depend on improvements in productivity, private investment, and structural transformation rather than cyclical recovery alone.

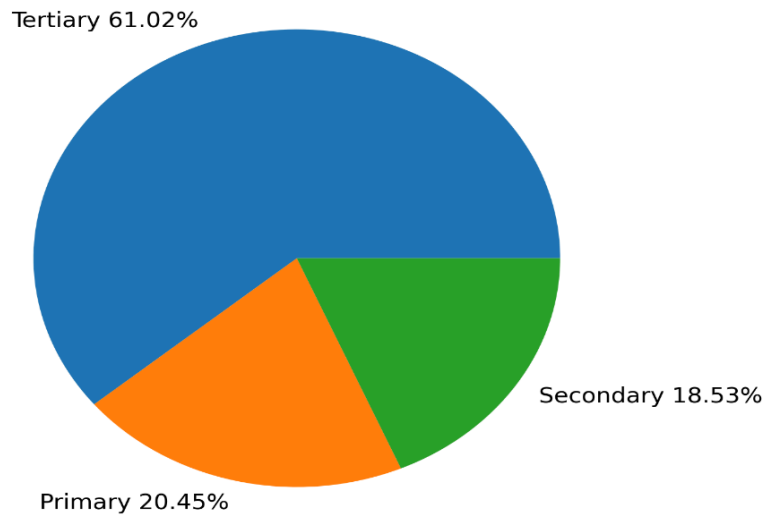
The distinction between nominal and real growth is particularly important when assessing overall economic performance. Although nominal GSDP has expanded considerably, real growth provides a more accurate reflection of the increase in actual economic output after accounting for inflationary pressures. Consequently, maintaining higher real growth over the medium to long term will require continued investment in productive sectors, stronger industrial development, improved business competitiveness, and greater participation of the private sector. These factors will be essential for generating productive employment, raising household incomes, and strengthening the overall resilience of Jammu & Kashmir's economy. Viewed collectively, the recent growth trajectory demonstrates encouraging economic progress while also highlighting the importance of sustaining reforms that support broad-based, inclusive, and durable economic development.

3.2 Sectoral Composition

J&K's economy is predominantly service-driven, with the tertiary sector accounting for 61.02% of GSDP in 2025–26. The primary sector (agriculture, horticulture, forestry) contributes 20.45%, while the secondary sector (manufacturing, construction) accounts for just 18.3% a structurally thin industrial base for a territory seeking employment generation.

Sector	Share (%)	Key Sub-sectors
Primary	20.45%	Horticulture, Agriculture, Forestry
Secondary	18.3%	Manufacturing, Construction, Power
Tertiary	61.02%	Tourism, Trade, Govt. Services, IT

Figure 3: Sectoral Composition



Source: Economic Survey 2025–26, IBEF.

Insight

The secondary sector's share (18.3%) is alarmingly low for a UT seeking industrial employment. Comparable hilly states like Himachal Pradesh have achieved 30%+ industrial share. J&K's secondary sector stagnation signals a *premature shift to services* without building an employment-intensive industrial base.

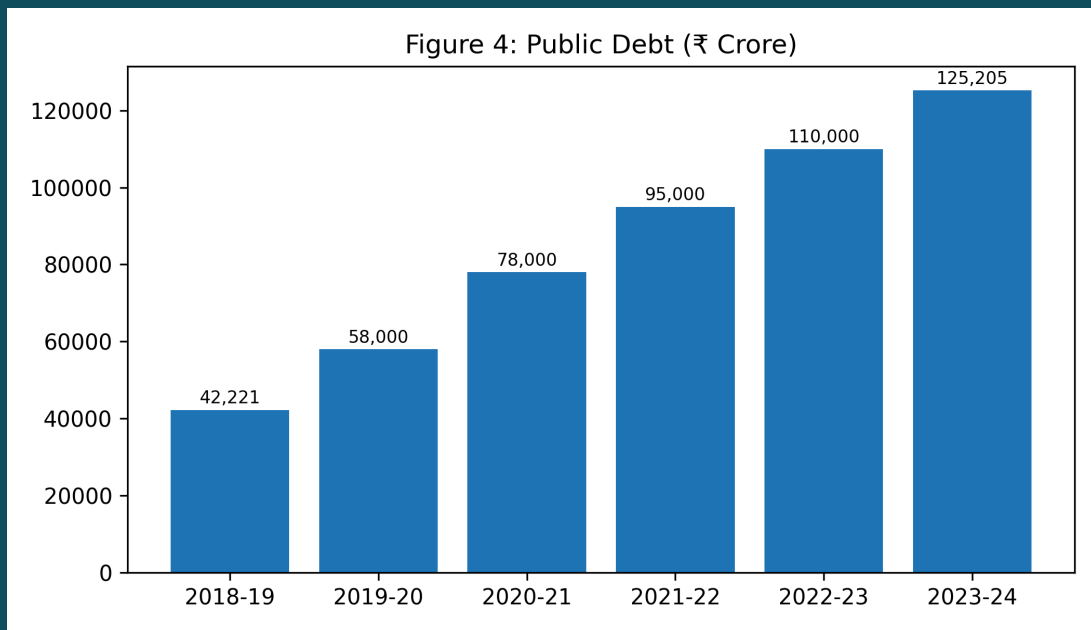
4.0 FISCAL ARCHITECTURE: DEPENDENCE & DEBT STRESS

J&K's fiscal structure is one of the most dependent in India. As a Union Territory with a legislature, it has unique fiscal architecture receiving large central grants while also borrowing on its own account.

₹67,133 Cr	₹1,25,205 Cr	₹21,550 Cr
Central Grants to J&K in FY25 (Budget Estimate)	Total Public Debt (52% of GSDP), FY24	Own Revenue in 2025–26 (vs ₹7,819 Cr in 2016–17)
<i>Business Standard / PRS India</i>	<i>Economic Survey 2024–25</i>	<i>Greater Kashmir / PRS</i>

Fig. 4: J&K Public Debt Growth ₹ Crore (2018–19 to 2023–24)

Year	Debt Crore
2018–19	42221
2019–20	58000
2020–21	78000
2021–22	95000
2022–23	110000
2023–24	125205



Source: J&K Economic Survey 2024–25; Greater Kashmir Analysis (Aug 2025). Internal debt = ₹82,300 Cr; GoI Advances = ₹710 Cr; Provident Fund = 21% of total debt.

Critical Finding Debt Tripling

J&K's internal debt surged from ₹42,221 crore in 2018–19 to ₹1,25,205 crore in 2023–24 a nearly 3× increase in five years. Loans actually borrowed in 2023 (₹24,000 crore) were double the planned ₹12,000 crore. While fiscal deficit moderated (revenue surplus of 3.8% of GSDP projected in 2025–26 per PRS), the stock of debt remains a structural overhang. Central fiscal transfers remain the primary lifeline J&K's own revenues cover only ~24% of total expenditure.

Fiscal Indicator	Value	Year	Remark
Total Expenditure (excl. debt repayment)	₹1,06,641 Cr	2025–26 BE	+3% YoY
Revenue Surplus (% GSDP)	3.8%	2024–25 BE	Positive, but Central-grant supported
Fiscal Deficit	5.36%	2023	vs. target of 1.6% large miss
Capital Expenditure	₹36,904 Cr	2024–25	Key driver of infrastructure push

Fiscal Indicator	Value	Year	Remark
Debt Repayment (2025–26)	₹33,669 Cr	2025–26 BE	~32% of receipts

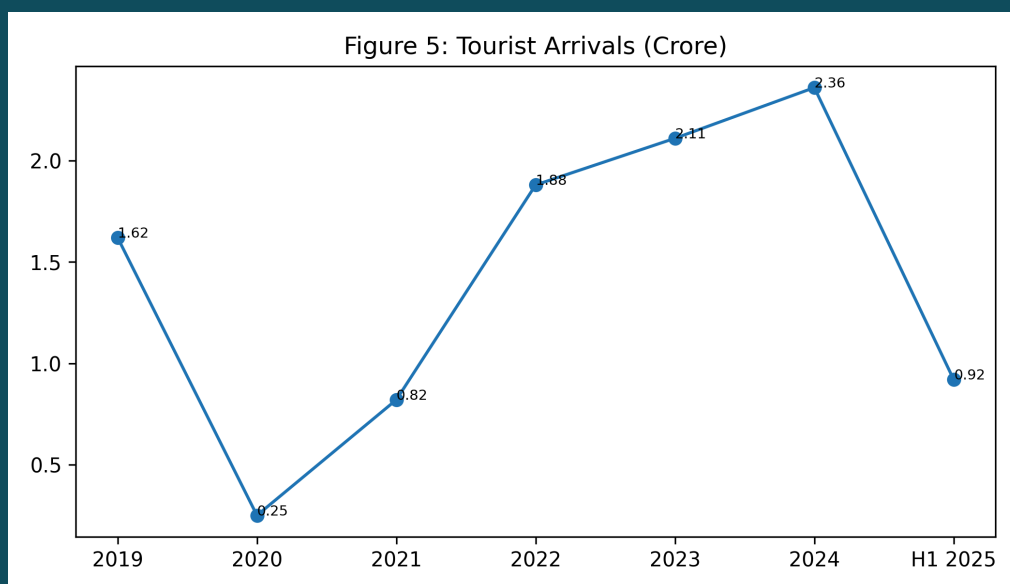
Source: PRS India Budget Analysis 2025–26; J&K Budget Documents.

5.0 TOURISM: HEADLINE PERFORMER WITH STRUCTURAL CAVEATS

Tourism is J&K's most visible economic success story post-2019. Tourist arrivals collapsed during the pandemic and security-sensitive periods but have rebounded dramatically. In 2024, 2.36 crore tourists visited J&K including 65,000 foreign tourists and significant pilgrimage flows: 5.12 lakh to Amarnath and 94.56 lakh to Vaishno Devi.

Fig. 5: Tourist Arrivals in J&K 2019 to 2025H1 (Crore)

Year	Tourists Crore
2019	1.62
2020	0.25
2021	0.82
2022	1.88
2023	2.11
2024	2.36
H1 2025	0.92



Sources: J&K Tourism Department; Travel & Tour World (Dec 2025); Economic Survey 2025. H1 2025 = Jan–Jun 2025 estimate (9 million domestic + 20,000 foreign).

7%	4,300	₹390 Cr
Tourism's Share in GSDP - ₹18,550 Cr (Nominal)	Scheduled Flights to Srinagar (Apr–Jun 2025)	Capital Expenditure for Tourism FY26
<i>Economic Survey 2024–25</i>	<i>Cirium Aviation Analytics</i>	<i>J&K Budget 2025–26</i>

Critical Analysis:

While 2.36 crore arrivals are impressive, *quality of tourism must be scrutinised alongside quantity*. Foreign tourist share remains negligibly low at 65,000 out of 2.36 crore (~0.28%) indicating J&K has not broken into premium international circuits. Revenue per tourist remains low, and rapid inflows are straining fragile mountain ecology and seasonal infrastructure. The government's tourism policy targets 50,000 jobs/year and ₹2,000 crore investment/year but with non-tax tourism revenue still at just ₹50 crore (FY25), revenue capture efficiency is poor relative to footfall.

6.0 INDUSTRIAL BASE & INVESTMENT CLIMATE

6.1 Industrial Expansion

Post-2019 industrial policies opened J&K to national investment frameworks. Since 2019, 1,984 industrial units have commenced operations, attracting ₹9,606 crore in investment and generating 63,710 jobs. In FY2024–25 alone, 334 new units started with investment of ₹2,977 crore and 8,443 jobs.

Positive Signal

The government has received investment proposals worth ₹1.63 lakh crore as of December 2024, expected to create over 5.9 lakh jobs potentially the largest industrial pipeline J&K has ever seen. Sectors include IT, renewable energy, food processing, and tourism infrastructure.

6.2 FDI: The Glaring Gap

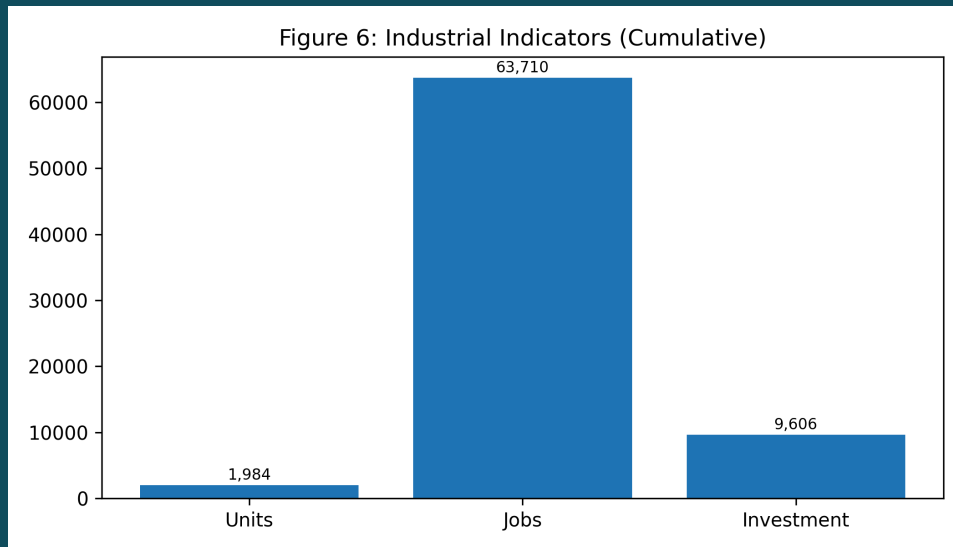
Despite the investment pipeline, actual FDI inflows remain strikingly low. DPIIT data shows cumulative FDI of only ₹10.56 crore (US\$ 1.34 million) between October 2019 and June 2025 a six-year figure that most mid-sized Indian cities attract in weeks. Some alternative estimates from Sarkari Finance cite \$632 million (2019–2024) across tourism, renewable energy, food processing, and handloom, but even this remains a fraction of J&K's potential.

The Investment Intent vs. Reality Gap

There is a vast chasm between investment *proposals* (₹1.63 lakh crore) and actual *ground-level FDI* (sub-₹100 crore by conservative official DPIIT estimates). This indicates that while investor interest exists, *conversion rates are poor*. Reasons include security perceptions, land acquisition delays, logistical constraints, and infrastructure deficits. The gap between intent and execution is the central challenge of J&K's industrial transformation.

Fig. 6: Industrial Units & Jobs Created (Cumulative since 2019 vs. Annual FY25)

Indicator	Cumulative	FY25
Units	1984	334
Jobs	63710	8443
Investment Crore	9606	2977



Source: Economic Survey 2025; J&K Industries Department.

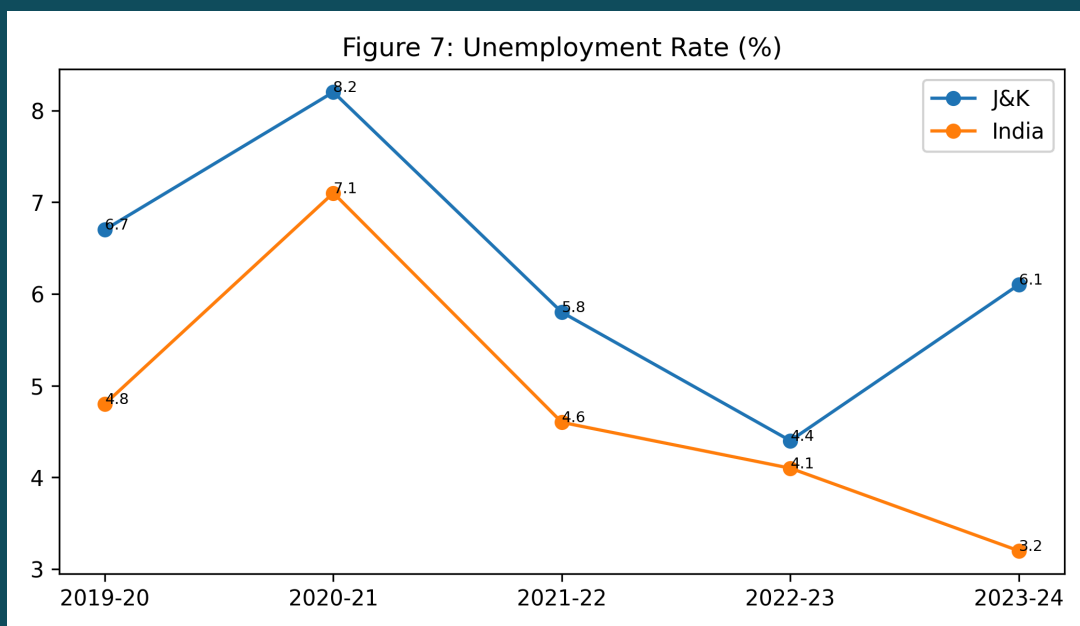
6.3 Horticulture: The Quiet Engine

Horticulture generates approximately ₹10,000 crore annually, employing a large rural labour force. Area under major crops expanded to 3.44 lakh hectares in 2024–25, with production up 8.39%. High-density plantation area has grown from 880 hectares (2020–21) to 18,533 hectares by November 2024 a 20× expansion reflecting modernisation. Almond and walnut exports are sizeable contributors to the ₹1,722 crore total exports from J&K in FY25 (till Feb).

7.0 EMPLOYMENT, HUMAN DEVELOPMENT & SOCIAL INDICATORS

Fig. 7: J&K vs. India Unemployment Rate Comparison (%)

Year	J&K	India
2019–20	6.7	4.8
2020–21	8.2	7.1
2021–22	5.8	4.6
2022–23	4.4	4.1
2023–24	6.1	3.2



Sources: PLFS Data; Business Standard (Sep 2024); Economic Survey 2025. *J&K 2022–23 = 4.4% (PLFS); 2023–24 = 6.1% (Economic Survey).

Unemployment Paradox

J&K's unemployment rate rose from 4.4% to 6.1% between 2022–23 and 2023–24 against a declining national trend. Female unemployment worsened in the same period. This is particularly troubling because J&K's population is young and growing. The Economic Survey projects GSDP growing at 7%+, yet jobless numbers are rising signalling a *growth pattern that is not generating proportionate employment*. Service-sector-led growth, particularly in government services and tourism, tends to be seasonally and geographically concentrated rather than broadly inclusive.

Social Indicator	J&K Value	Comparison	Source
Human Development Index (2023)	0.814 (Very High)	Rank 23rd in India	Global Data Lab / Wikipedia

Social Indicator	J&K Value	Comparison	Source
Life Expectancy	Improving (72+)	(est. Close to national avg.	Invest India
Literacy Rate (2011)	67.2%	India: 74.04%	Census 2011
Population (2025–26 est.)	~14 million	~1% of India	Invest India
Wireless Tele-density (Mar 2025)	90.13%	12.18 million connections	TRAI

Insight HDI vs. Economic Rank

J&K's HDI of 0.814 (Very High) is notably ahead of its economic rank (21st by GDP). This paradox high human development but underperforming economy reflects decades of heavy government employment and social spending, which maintained social indicators even as the productive private economy remained stunted. It also implies a large, educated workforce chronically underutilised.

8.0 INFRASTRUCTURE & CONNECTIVITY

Infrastructure has been the most tangible deliverable of Central focus on J&K since 2019. The scale of investment is unprecedented in the region's history.

Project / Initiative	Value	Status / Year
National Highway Development (1,003 km)	₹29,903 Cr (~\$3.46 Bn)	Invested, March 2025
Development projects (PM inaugurations)	₹46,000 Cr (\$5.32 Bn)	Jammu, multiple sectors
Road & Infrastructure (NABARD/RIDEF)	₹5,400 Cr	FY20–FY25 cumulative
Housing & Urban Development	₹2,928 Cr	Budget 2023–24
Agriculture & Allied Sectors	₹9,497 Cr	Assembly approved, Mar 2025
Jammu–Baramulla Rail Line	Strategic Connectivity	Ongoing; transformative

Sources: IBEF; Ministry of Road Transport; J&K Budget Documents.

Structural Shift:

The Udhampur–Srinagar–Baramulla Rail Link (USBRL), when fully operational, will be among the world's most challenging railway engineering projects and will fundamentally change J&K's supply chain economics. The Chenab Bridge (world's highest railway bridge at 359m) is a landmark achievement. These projects convert J&K from a road-dependent, weather-vulnerable economy into a more resilient, multi-modal hub.

Connectivity = Competitiveness

Air connectivity to Srinagar reached 4,300 scheduled flights in just Apr–Jun 2025 (Cirium data), signalling a step-change in aviation access. However, Jammu International Airport expansion and secondary airport development (Kargil, Kupwara) remain slow, limiting full geographic integration of the UT.

9.0 ENERGY: UNTAPPED HYDROPOWER WEALTH

J&K holds an estimated 18,000 MW of hydropower potential one of the highest in India. Yet the UT remains in a power deficit, importing electricity despite this natural abundance. The gap between potential and realisation captures J&K's broader development paradox: resource richness meeting governance and execution deficits.

18,000 MW Estimated Hydropower Potential <i>Invest India</i>	Deficit Current Power Status (imports required) <i>PHD Chamber of Commerce</i>	Priority Renewable Energy in Investment Pipeline <i>IBEF / Invest India</i>
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Strategic Contradiction
J&K's potential as a power exporter to the northern grid is enormous, yet decades of under-investment, environmental clearance bottlenecks, and security-related project delays have left this potential unrealised. Aggressive hydropower development now would simultaneously address J&K's own power deficit, generate royalty income, reduce fiscal dependence on Centre, and create construction and operational employment.

10.0 CRITICAL CHALLENGES & STRUCTURAL RISKS

10.1 Fiscal Dependency

Central grants of Rs. 67,133 crore in FY25 dwarf J&K's own revenue of Rs. 21,550 crore, a dependency ratio that makes J&K one of the most fiscally subordinate territories in India. Own-source revenue covers barely 24% of total expenditure. While own revenues have grown from Rs. 7,819 crore (2016-17) to Rs. 21,550 crore (2025-26), nearly 2.75x in a decade, sustaining growth at this pace requires rapid economic formalisation and broadening of the tax base [5], [7].

10.2 Youth Unemployment & Alienation

J&K's youth unemployment rate consistently exceeds the national average [2]. A Kashmir University economist noted declining enrolment in higher education, with students preferring informal business over formal education reflecting disillusionment with credential-to-job pipelines. Female unemployment has worsened, highlighting gendered exclusion from economic gains. Without a formal manufacturing base or a thriving SME ecosystem, the education-to-employment pipeline remains broken [19].

10.3 Security Premium on Investment

Despite legal reforms and policy openings, investor perceptions remain risk-adjusted. The gap between Rs. 1.63 lakh crore in proposals and actual ground-level investment is partly attributable to residual security risk premium. High-profile incidents (such as the Pahalgam attack in April 2025) can rapidly dampen tourism and investor confidence, illustrating how J&K's economic gains remain conditionally linked to ground security conditions [17], [1].

10.4 Climate & Environmental Vulnerability

J&K's mountain ecosystems are acutely sensitive to climate change. Irregular snowfall, flash floods, and glacial retreat threaten both horticulture (apple yields are weather-dependent) and hydropower (glacier-fed rivers). The Jhelum basin faces recurring flood risks. Rapid tourism expansion without ecological carrying capacity management risks long-term environmental degradation, a pattern visible in overdeveloped Himalayan destinations like Manali and Shimla [1], [12].

11.0 STRATEGIC OPPORTUNITIES & FORWARD OUTLOOK

Table 10.1: J&K Per Capita Income Trajectory vs. National Average (Rs. at Current Prices)

Year	J&K (Rs.)	India (Rs.)
2019-20	95,000	1,29,000
2020-21	88,000	1,20,000
2021-22	1,05,000	1,50,000
2022-23	1,18,000	1,71,000
2023-24	1,39,000	1,84,000
2024-25E	1,54,703	2,00,162
2025-26E	1,68,243	2,10,000

Sources: Economic Survey 2025 [1]; IBEF [4]; National Income Statistics 2024-25 [15]. 2025-26 figures are estimates.

J&K's 2025-26 Economic Survey projects real GSDP growth of 5.82%, a moderation from 7.06% in 2024-25, reflecting a shift from post-pandemic bounce-back to structural consolidation. The 4.47% CAGR in real GSDP (2019-26) is solid but not transformative. For J&K to meaningfully close the per capita income gap with the national average, it needs sustained 7-8% real growth over the next decade [1], [20].

Table 10.2: Strategic Opportunities for J&K

Opportunity	Potential Value	Status	Critical Success Factor
Hydropower Development	18,000 MW potential	Severely under-exploited	Environmental clearances, security
Horticulture & Food Processing	Rs. 10,000 Cr base + multiplier	Growing but fragmented	Cold-chain, export linkages
IT/ITES & Digital Economy	High potential; 90% tele-density	Nascent	Reliable internet, power stability

Opportunity	Potential Value	Status	Critical Success Factor
Premium / Eco-Tourism	Revenue per tourist uplift	Undervalued currently	Infrastructure, branding, safety
Handicrafts Export	Kashmiri carpets, shawls globally	GI-tagged; world-famous	Design modernisation, e-commerce
Renewable Energy (Solar)	Significant; sunny Jammu belt	Early stage	Grid connectivity, investment

Source: IBEF [4]; Invest India [12]; J&K Industrial Policy 2021 [16].

Structural Optimism: J&K's per capita income CAGR of 8.3% (2019-24) outpaces Punjab (6.22%), Delhi (6.74%), and Himachal Pradesh (6%) – a remarkable reversal. The railway connectivity coming online, digital infrastructure deepening, and election-backed political stability (first Assembly in a decade) collectively create conditions for a sustainable growth inflection. The investment pipeline of Rs. 1.63 lakh crore, if converted at even 30-40%, would be transformative.

12.0 CONCLUSION

Jammu & Kashmir stands at a defining stage in its economic development. The evidence presented throughout this report indicates that the region has made measurable progress across several important dimensions since 2019. Economic output has continued to expand, per capita income has followed an upward trajectory, infrastructure investment has reached an unprecedented scale, tourism has recovered strongly following the pandemic, and significant policy initiatives have been introduced to improve connectivity, industrial development, and the overall investment climate. Major transport projects, expanding digital infrastructure, and improvements in public investment have created a stronger foundation for long-term economic growth than existed only a few years ago.

At the same time, the analysis demonstrates that these positive developments have not yet translated into a broad-based and self-sustaining economic transformation. Several structural weaknesses continue to constrain long-term growth. Unemployment, particularly among young people and women, remains higher than the national average despite continued economic expansion. The industrial sector continues to account for a relatively small share of the economy, limiting the capacity to generate large-scale productive employment. Fiscal dependence on Central Government transfers remains substantial, while the growth of public debt highlights the importance of strengthening domestic revenue generation and improving fiscal sustainability. Furthermore, the considerable gap between announced investment proposals and actual investment implementation illustrates that improving investor confidence, institutional efficiency, and project execution remains an important policy priority.

The report also highlights that Jammu & Kashmir possesses considerable untapped economic potential. The region's hydropower resources, horticulture sector, handicrafts, tourism assets, renewable energy opportunities, and expanding digital connectivity provide multiple avenues

for future growth. If these strengths are supported by effective institutions, improved infrastructure, greater private sector participation, and sustained policy consistency, they have the capacity to diversify the economy beyond its current dependence on public expenditure and service sector activities. Increasing value addition in agriculture and horticulture, expanding food processing, strengthening small and medium enterprises, promoting innovation, and improving access to domestic and international markets could substantially enhance employment opportunities and long-term productivity.

Another important finding emerging from this assessment is that infrastructure development alone cannot guarantee sustained economic progress. Roads, railways, airports, and public investments create essential conditions for growth, but their long-term economic benefits ultimately depend on the expansion of productive private investment, entrepreneurship, industrial activity, and skilled employment. Likewise, continued growth in tourism should increasingly focus not only on visitor numbers but also on higher value tourism, environmental sustainability, improved visitor experiences, and greater participation of local communities in tourism-related economic activities.

Fiscal sustainability will remain one of the central challenges over the coming years. While Central assistance has played a vital role in supporting development and financing large infrastructure projects, long-term resilience will require a gradual strengthening of the Union Territory's own revenue base. Expanding productive sectors, encouraging formalization of economic activity, improving tax capacity, and supporting private enterprise will be essential for reducing fiscal dependence while maintaining investment in public services and development priorities.

The analysis also underscores the importance of inclusive growth. Economic progress will be most meaningful if it generates quality employment opportunities across regions, sectors, and demographic groups. Strengthening education, vocational training, entrepreneurship, and workforce participation, particularly among young people and women, will be critical for ensuring that economic growth translates into broader improvements in household incomes and living standards. Human capital remains one of Jammu & Kashmir's most valuable long-term assets, and fully utilizing this resource will be central to achieving sustainable development.

Environmental sustainability must also remain an integral component of future economic planning. The region's natural landscapes, water resources, forests, and mountain ecosystems are among its greatest comparative advantages, supporting tourism, agriculture, horticulture, and hydropower. At the same time, these resources remain vulnerable to climate change, ecological degradation, and increasing development pressures. Future growth strategies should therefore balance economic expansion with environmental conservation to preserve these assets for future generations.

Overall, the findings presented in this report suggest that Jammu & Kashmir has entered a period of meaningful economic transition rather than completed transformation. Important foundations have been established, but many of the region's long-standing structural

challenges remain unresolved. The coming years will determine whether recent gains evolve into a diversified, resilient, and employment-intensive economy capable of sustaining higher levels of growth over the long term.

Ultimately, the future trajectory of Jammu & Kashmir will depend not only on maintaining investment momentum but also on improving the quality of economic growth. Success will require stronger institutions, greater private sector participation, efficient implementation of development initiatives, continued infrastructure modernization, responsible environmental stewardship, and policies that place employment creation and productivity at the center of economic planning. If these priorities are pursued consistently, Jammu & Kashmir will be well positioned to build a more competitive, inclusive, and sustainable economy that fully utilizes its strategic location, natural resources, and human capital while delivering lasting improvements in the well-being of its people.

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