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## CONFLICT AND ECONOMIC WELFARE: INSIGHTS FROM KASHMIR

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### Abstract:

*Violence in the post cold war era has changed both in dimension and form. There has been a significant decline in occurrence of interstate conflicts. However violence and armed conflicts continue to haunt humanity and impede its progress within the nations if not across them. The poverty ridden Africa has witnessed worst kinds of violence and armed conflict. Economists across the globe have already invested appreciable time and intellect in unfolding the impacts of violence on economic development both at the Micro and the Macro level. It is indeed disheartening to know that none of the countries affected by violence have been able to achieve single Millennium Development Goals (MDGs). More recently developments in Afghanistan, Pakistan, Nepal, Sri Lanka and India and their fall out on the growth prospects of this region have attracted worldwide attention. In context of Asia one of the oldest reasons for interstate and intra state tension is the Kashmir Issue. An un resolved territorial dispute between India, Pakistan and China from at least 1947 entered into an armed rebellion phase in 1989. Since 1989 this part of the world has witnessed a huge loss of capital – both physical and human. Investments have been scarcer and import dependence has increased over the decades. The macro-economic effects of the conflict are evident if not measured. However the impact of the Kashmir conflict on the household welfare still remains a mystery. Hence, the present paper. Herein we address and try to understand the impact of violent conflict and political instability on the household savings, borrowings and employment structures. Based on data gathered from a sample survey conducted in the conflict effected households in district Srinagar this paper reveals: 51.6% of the respondents reported a significant decrease in their savings over the reference period 1990-2010. 43.1% of the households reported to have had increased borrowings. Only 31.3% of the households reported to have received the government aid while a staggering 68.8% of the households reported not to have received any kind of aid from the government. 46.25% of the households reported child employment. 71.6% of the households reported loss of manpower as the only reason for sending children to work*

*JEL Classification: D60, D74, E20, R20,*

### KEYWORDS:

Conflict, Economics, Kashmir

*“The efforts of men are utilized in two different ways: they are directed to the production or transformation of economic goods, or else to the appropriation of goods produced by others” (Vilfredo Pareto)*

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## 1.1 INTRODUCTION:

Economic analysis of the Impact of violence, conflict, turmoil and political disturbances is a recent development within the economics literary circle. However over the last decade the literature on the same has swelled into huge proportions. Particularly post 09/11 attacks on the twin trade centres in the US and the subsequent military interventions on part of US in the Middle east has brought this phenomenon at the centre stage of economic analysis. So much so that the World Development Report 2011 was published to address the same. Entitled as “Conflict, Security, and Development” it at an opportune time to set the stage for an in-depth analysis and understanding of the different mechanisms with which conflict and security affect or get affected by the development processes both at the Micro as well as at the Macro level. However the report in true essence of it discusses in more detail the Macro aspects and impact of conflict on economic development when compared to the assessment of its micro effects, particularly at the household level. Nonetheless realising and documenting variables like conflict, security, violence and political disturbances as legitimate determinants of welfare and development within the framework of economic theory is no less than a paradigm shift in the way the world is expected to look at the causes and consequences of conflict and disturbances.

As noted by the world development report 2011, conflict transcends geography. As such at present entire world is witness to one or the other kind of socio-political and economic conflict. However most severe of them all is hate related violence that is based on Greed or grievances (Collier, Paul and Anke Hoeffler, 2004). Within this frame work many a conflicts of the contemporary world do fit in.

As far as the Asian continent is concerned, one among many conflicts is the Kashmir Issue. Based in a tarnished and illusive history it has been the sole reason for three direct wars between India and Pakistan (both of which are now nuclear powers) and an innumerable instances of war like hostilities. An issue that started within a classic Asymmetric information framework (with the then Maharaja as the principal and the people of Kashmir and latter state of Pakistan becoming the agents) way back in 1947 has consumed more than 100,000 lives (unofficial numbers) and infrastructure losses that in the accounting sense are yet to be established. Investments have been scarcer and the capital base of the state is one among the lowest across India. The states activities have been continuously funded by central assistances on a special category arrangement which has further erroded its fiscal autonomy and any chance of fiscal and as a consequence of it economic revival. As noted by many studies across the world conflict has affected all aspects of the economy of this Himalayan state. However all this to our knowledge is yet to be statistically established. Turmoil has left research on the effects of it unmanageable and most daring an effort.

It is in this back drop that the present study is carried out to look into the welfare effects of the Kashmir conflict on the households within a purposively sampled population of 160 households who have directly suffered and wherein, at least one conflict related death has been reported. The study is spread over Five sections. Section one gives an account of the historical and political developments that Kashmir has witnessed until now, more particularly in the post 1947 era. This section is an attempt to understand the problem in its historical and political aspects so as to better understand the present. Section 2.1 discusses the conflict-Economy interplay and the mechanisms with which one effects and gets effected by the other. Section 2.2 discusses Kashmir Economy in light of the results drawn from the discussions in the preceding part of the section. Section 3 presents some reviews of a selected set of relevant works to set the stage for section 4. Section 4 gives an Insight into the objectives of the present study and the methodology employed. Section 5 provides the details of data and analysis. Section 6 concludes.

## 1.2 INTRODUCING KASHMIR: A POLITICO-HISTORICAL ACCOUNT

The state of Jammu and Kashmir is one of the most important pieces of land in the Asian sub-continent, both in terms of its geographical and strategic location as well as on account of its un-paralleled beauty. With its geo-strategical location and the consequences thereof shaping the fate of its populace, the valley of Kashmir has an un-usual tale to tell. Since at least the seventh century this valley of the upper Jhelum River has been subjected to alien rule that varied little as the rulers changed. The imprints made by successive waves of Buddhist, Hindu, Afghan, Mogul, and Sikh conquerors have left the Kashmiris surprisingly homogeneous in race, language, and arts (Robert C. Mayfield, 1955). Jammu and Kashmir as presently outlined came into being only slightly more than a century ago, during the Anglo-Sikh wars. The ruler of the Hindu Dogra clan, already holding Jammu, Ladakh, and Baltistan, established the State of Jammu and Kashmir by an act of purchase from the British, by which the Vale and the adjacent hill country were added to his holdings. The Dogra period has been regarded by most Kashmiris as a century of alien rule (Alice Thorner, 1948).

Immediately before partition of British India in August, 1947, the Maharaja of Kashmir faced

with a unique clash of “his interests and the interests of his subjects” choose a middle way by negotiating a "standstill agreement" with Pakistan, giving himself time to even nourish the dream of independent Kashmir. By an earlier arrangement Pakistan had assumed responsibility for carrying on communication and supply functions for Kashmir. In an effort to impress the Maharaja with the urgency of accession to Pakistan, a virtual blockade was imposed, by which badly needed supplies of food grains, cloth, kerosene, salt, and sugar were stopped.

In August, 1947, rioting began in Poonch as a popular demand for redress of grievances against the Maharaja's administration there. The harsh punitive action taken by state troops (composed primarily of Hindu Dogras) against a 90 per cent Muslim population gave the disturbances a communal appearance, and violence spread quickly along the Kashmir-Pakistan border. Pathans from the North-West Frontier Province of Pakistan joined kinsmen from Gilgit in what they called "rescue missions for persecuted Muslims. Within a short span of time this invasion changed the future course of history in the entire Indian sub-continent. On the fourth day of the invasion, the Pakistan newspapers reported under a Palandari (Poonch) dateline that a Provisional Azad (Free) Kashmir Government had established its rule over a large part of the State territory.

Under pressure of the growing threat to Srinagar, the Government of India made plans for sending in troops by air, while the Maharajah (who had fled from Srinagar to Jammu) signed an instrument of accession to the Indian Dominion. Thus, amidst the tumult of the independence and the partition of India in 1947, Hari Singh, the Maharaja of Jammu and Kashmir, committed what has been labelled as one of the most controversial political acts of the twentieth century. He handed over control of the coveted kingdom of Jammu and Kashmir to India, despite Pakistani protests and calls for a referendum that would allow the people of Jammu and Kashmir to decide whether they would rather accede to India or the newly created Pakistan. The following day (October 27) Lord Mountbatten formally accepted the accession on behalf of India and the first contingent of Indian soldiers landed at the Srinagar airport in the morning. These political developments from 1947 to 1950 have far ever sowed such seeds of suspicion, hatred violence and conflict that even after 65 years an end to the ever perpetuating violence seems a distant dream. The conflict in Kashmir is one of the bitterest legacies of the partition of India. A series of wars and ongoing operations have ensured that Jammu and Kashmir has remained one of the most volatile and bloody regions of the world. Further demands and new conflicts have added twisted complications to an argument that has not been resolved.

The first of a number of armed groups seeking independence for Kashmir emerged in the late 1960s but general resentment increased as a result of persistent reports of irregularities in elections in J&K, notably the 1987 state elections. Many observers see the alleged rigging of these elections as a turning point in the growth of Kashmiri nationalism. From mid 1989, the Jammu and Kashmir Liberation Front (JKLF) and other armed opposition groups led a popular movement and armed uprising for independence. This phase of the latent Kashmir imbroglio revived the 1947 bitterness and echoed the tyranny that this unfortunate land had witnessed under the Dogra regime. It is the post 1989 Kashmir that has witnessed the worst of blood shedding, loot and arson.

## 2.1 CONFLICT AND ECONOMY:

World over violence, conflict and political disturbances have had an immense impact on the development processes. Over the last decade, economic foundations and causes of conflict and the consequences of conflict relating to the macro and micro economy of the violence hit economies has amassed an appreciable academic attraction. The literature on the same subject has grown immensely (Collier 1999, Funkhouser 1997, Stewart 1993, Stewart and Fitzgerald 2000, Atkinson 1997, Woodward 2002, Berdal & Keen 1997). With violence impacting all aspects of life, the repercussions of it on development are immense. From a breakdown of market system to the collapse of the socio-economic and institutional fabric to death and destruction: the path to development for the violence hit economies remains untrodden and unachievable at least till the conflict is active.

The direct impact of violence falls primarily on young males, the majority of fighting forces, but women and children often suffer disproportionately from indirect effects. Men make up 96 percent of the detainee population and 90 percent of the missing, (Beijing Declaration and Platform for Action 1995; Women's Refugee Commission 2009; UNICEF) women and children comprise close to 80 percent of refugees and those internally displaced (UNFPA 2002; Plümper and Neumayer 2006; Murray et, al 2002; Bastick, Grimm, and Kunz 2007; El Jack 2003). Violence begets violence: children who witness abuses have a higher tendency to perpetrate violence later in life American Psychological Association 1996; Dahlberg 1998; Verdú and others 2008).

One reason for the persistence of low growth in Conflict affected countries may be the difficulty of



reassuring investors, both domestic and foreign. A civil war reduces a country's average rating on the International Country Risk Guide by about 7.7 points (on a 100-point scale); the effect is similar for criminal violence (Hoeffler, von Billerbeck, and Ijaz 2010. Martin, Mayer, and Thoenig 2008.) For the first three years after Conflict subsides, countries have a rating 3.5 points below similar non-Conflict countries. Although there is often a post violence surge of economic activity, it is unlikely to be investment-based activity that reflects renewed investor confidence. Trade can take many years to recover as a result of investor perceptions of risk. It can drop between 12 and 25 percent in the first year of a civil war, and for the most severe civil wars (those with a cumulative death toll greater than 50,000) the loss of trade is around 40 percent (Martin, Mayer, and Thoenig 2008). And the interruption in trade can persist even 25 years after the onset of conflict. While effects are smaller for less severe conflicts, it still takes on average 20 years for trade to recover to pre-Conflict levels.

As the World development Report 2011 reports

**Indirect costs**—associated with stress and trauma, time off work due to violent incidents, and lower productivity from injury or mental illness—far overshadow direct costs. In Brazil in 2004, the direct medical costs of all interpersonal violence were estimated at US\$235 million and the indirect medical costs at US\$9.2 billion. Comparable figures, respectively, for Jamaica are US\$29.5 million and US\$385 million, and for Thailand US\$40.3 million and US\$432 million. Emerging findings from Kenya estimate total costs of violence at 1.2 percent of GDP. In the United Kingdom, the direct costs of domestic violence are estimated at £5.7 billion annually. (WDR 2011: Ch 1, P 65)

When other indirect costs are added, such as those for policing, health care, private security, and reduced investment, the figures are even more staggering. In Guatemala, criminal violence cost an estimated US\$2.4 billion, or 7.3 percent of GDP, in 2005—more than twice the damage caused by Hurricane Stan the same year, and more than twice the budget for the ministries of agriculture, health, and education for 2006. In El Salvador, criminal violence in 2003 cost about US\$1.7 billion, or 11.5 percent of GDP. The Mexican government estimates that crime and violence cost the country 1 percent of GDP from lost sales, jobs, and investment in 2007 alone. Estimates suggest that if Haiti and Jamaica reduced their crime levels to those of Costa Rica, they could increase annual GDP growth by 5.4 percentage points. These costs are comparable to estimates of the cost of civil war. Based on growth base lines for cross-country panel data in the last 50 years, researchers estimate the costs of civil wars to range from 1.6 percent to 2.3 percentage of GDP per year of violence. For the average country affected by violence, these effects, compounded over time, can cost the equivalent of up to 30 years of missing GDP growth. Insecurity takes a significant toll on the private sector, in direct costs of criminal acts (theft, arson, or other victimization) and in investments in security systems. Cross-country surveys found that these costs represented 1–3 percent of sales in Senegal, South Africa, Tanzania, and Uganda, and 6 percent in Kenya. In nearly all cases, the bulk of these costs were for security technology and services. These estimates are conservative: other studies estimate the costs of crime to range from 3.1 percent to 7.8 percent of GDP.

## 2.2 THE CASE OF JAMMU AND KASHMIR

The state of Jammu and Kashmir as already referred to has nurtured a long, long conflict which entered into the armed phase in 1989 A.D. Over the last 21 years Tens of thousands of young men have got killed, property worth billions of dollars got destroyed, investment opportunities turned bleak and even the self sustaining and age old economically viable sectors like tourism and Handicrafts took a beating both in terms of output and employment. Infrastructure, social as well as physical got damaged. “During the period of militancy, a large number of major and minor bridges were gutted or damaged. In 1996, 157 major and 244 minor bridges were identified for reconstruction” the industrial sector has suffered on all accounts. Given the topographical constraints small scale industries (SSIs) were expected to boost the economy to a large extent however, a census report showed that out of 36,510 units surveyed, 15,145 units (41.48 per cent) were functional 4,840 units (13.26 per cent) were closed whereas 306 units (0.84 percent) were sick and 16,219 units or 44.42 per cent were untraceable. Most of these untraceable units are those that are registered to take advantage of the incentives given to the SSI. Some others left the state due to disturbances.

Another study showed that 32.71 per cent of the units became sick due to financial crunch, 30.55 per cent due to law-and-order and other problems, 19.40 per cent due to marketing problems, 9.24 per cent due to raw material unavailability and 8.10 percent due to migration, which fits well into the existing

literary findings on the subject. As far as the fiscal health of the state is concerned it is one among the highly indebted states of the Indian union. Ratio of debt to GSDP in Jammu and Kashmir has increased from 56.5 in 1995-96 to 70.5 in 2007-08 in comparison to All state Average 21.2 (1995-96) and 28.3 (2007-08). Consequently the ratio of interest payments to total own revenue in Jammu and Kashmir is as high as 63.2 percent in comparison to an all india average of 28.9 percent (2007-08).

On the energy front, the state of Jammu and Kashmir is resourceful in terms of potential for generation of Hydro-electricity. However Hydel projects constructed allow the state only 12% of energy actually generated, even in 450 MW baglihar hydel project, state has to sell 50% of energy to outside buyers leaving its own consumers striving for energy.

All these aspects of the Jammu and Kashmir economy when taken into consideration lead us to the conclusion the state has suffered on all accounts over the last 21 years. However it is at the household level that the incidence of suffering is felt the most. It is in this backdrop that the present study is carried out. The paper looks into the welfare aspects of the households in a conflict setup.

### 3.1 LITERATURE REVIEW:

There are different perspectives on the causes and consequences of armed conflict in the present literature on the subject. Conflict is a contest—that is, a game in which participants expend resources on arming so as to increase their probability of winning if conflict were to actually take place. (Michelle R. Garfinkel, 2006). Paul Collier and Anke Hoeffler (1998) assert that civil war and the participation therein is rational decisions were in rebels will conduct a civil war if the perceived benefits outweigh the costs. Civil war is intended at “either to capture the state or to secede from it”. That there are economic factors that make some societies susceptible to conflict. Poverty, economic inequality and the structure of the economies play a significant role in determining the likelihood of conflict. Macartan (Humphreys, 2003). The sustainability, probability of a conflict starting and its effectiveness thereafter as been attributed to the emergence of symbiotic associations between armed groups and households living in areas they control. The level of household participation at the start and during the conflict is a direct function of two interdependent variables, namely household vulnerability to poverty and household vulnerability to violence. (Patricia Justino, 2009). Risk of civil war is systematically related to a few economic conditions, such as dependence upon primary commodity exports and low national income.

Terrorism produces a sub-optimal allocation of resources and therefore inhibits economic growth and capital formation. Terrorist incidents targeting private properties are negatively associated with both growth and capital formation. (James R. Barth, et, al 2006). Shortfalls in security and justice are at the heart of poverty, underdevelopment and setbacks in meeting MDGs. (Olawale Ismail and Dylan Hendrickson's, 2009). About 20,000 women have been killed due to armed conflict in Jammu and Kashmir during last two decades (NHRC, 2006). There are reports of rape, molestation and abduction of children during the ongoing conflicts by the insurgents and security forces (NCRB, 2006). Children have been the disproportionate victims of the armed conflict. About 40,000 children had been orphaned due to the conflict in the state. (Dr. Falendra Kumar Sudan, 2010). Conflict in the region has lead to increase in corruption and an upsurge in spending on defence. Crafts, which provide the highest employment numbers (second only to agriculture) have been affected by the lack of funding for development and shrinking tourist market. The conflict has changed the sex ratio; male deaths mean that increasing numbers of women are now involved in crafts. (Neelam Raina, 2006)

Thus from modelling conflict as a contest to an activity based on rationality to theorising and empirically estimating its impact on the macro economy and activity choices is at the focus of the strand of literature we reviewed over here. However there seems to be a missing link in the existing literature to study the impact of conflict and violence on the economic activities like savings, investments and borrowings at the household level, especially in those households in which a conflict related death has occurred. Elsewhere such studies have been carried out, but we are quite convinced of the fact that in case of the state of Jammu and Kashmir this is a “first of its kind” attempts. Over and above “how conflict related death of a member of a household within a conflict ridden economy impacts the pattern and structure of employment within the household” is as untrodden a research path in case of Jammu and Kashmir as were the dwellings of Lucy. This is exactly what forms the twin objectives of this paper.

### 4.1 OBJECTIVES OF THE STUDY:

The study is broadly designed to understand the coping strategies of conflict affected households in an urban environment. As such this paper looks into:

- a. Impact of conflict on economic activities like savings, investments and borrowings at the household level, and
- b. How death of a member of a household impacts the pattern and structure of employment within the household.

#### 4.2 METHODOLOGY:

The study is primarily based on primary data collected by the researchers through administration of a well structured questionnaire to the sampled households in district Srinagar. The sampling technique resorted to in the first phase is highly purposive. We made a deliberate attempt to study those households were in a conflict related death had occurred over the last 20 years. This would basically give insights into what actually happens within the households and the respective roles being played by different members of the family. In the first phase, the entire district was divided into four zones: North, South, East and West. Using snowball technique of identification of the respondents forty households from each zone were administered the questionnaires. The responses were recorded and latter processed with SPSS. As far as the secondary sources of data are concerned the major data base in terms of research papers, working papers, policy documents and other background papers came from Households in Conflict Network (H I C N): The Institute of Development Studies - at the University of Sussex - Falmer - Brighton - BN1 9RE ([www.hicn.org](http://www.hicn.org)). Certain documents were made available from the official website of the world bank ([www.worldbank.org](http://www.worldbank.org)).

#### 5.1 DATAANDANALYSIS:

##### 5.1.1 Conflict and household savings and borrowings:

House hold savings are an important determinant of household economic activities. They determine its long term investment potential in both social and physical infrastructure. However the impact of repeated violence on this determinant of household welfare which in turn determines such welfare components of this economic unit, as investment in education, health and other financial assets. The magnitude with which household savings increase or decrease within an environment of violence and conflict, (providing some control mechanism for other determinants of house hold savings) can be a path breaking area of research area. Indeed, some work has found that the mere expectation of conflict is associated with lower personal savings rates, which typically corresponds to lower investment (Russett, Bruce, and Joel Slemrod, 1993) Rather than money coming into a country for investment, war is likely to produce capital flight.(Collier, 1999a) A rise in interest rates, resulting both from increased levels of uncertainty and crowding-out due to government deficit spending is also likely to reduce investment levels. The magnitude of these effects depends on how severe the war is. For one, it depends on how much of a country is affected – researchers Kosuke Imai and Jeremy Weinstein for example find that the share of investment in GDP falls by over 4 percentage points when conflicts extend to about half the territory of a country( Imai, Kosuke and Jeremy Weinstein. 2000.) Paul Collier has found that these investment effects depend also on the length of a war and continue after wars end.

Another strand of literature (especially, Knight Malcom et,al 1996.) finds fall in investment (especially private rather than public investment). The explanation for the same comes from the fact that the psychological impact of violence includes changes in behaviour from reductions in productive life length (such as decreased investments in human capital and health), reduced savings and investments in physical capital, and, therefore, reduced long-run growth. Shorter expected life horizons reduce an individual's incentive to take actions that generate long-term benefits and short-term costs, such as investing in education and saving for the future. (Lorentzen, Peter, John McMillan, and Romain Wacziarg; 2007)

##### Household level of savings and borrowings during the conflictfi

As is clear from the preceding section there is (in the existing literature on the subject) no clear relationship between household savings, borrowings and investment as a consequence of conflict. The same was observed by the researchers in case of the selected households. As is revealed by the tabulated data in Table 01 38.1% of the households reported an increase in their savings through the conflict period. This although is a stark revelation of the household behaviour but a deeper analysis reveals that under uncertainties and vagaries of shutdowns, lockouts and hartals savings are a very important component of household survival. The explanatory variable of an increase in the savings seems (partially) to be government aid received by 31.3%of the sampled population (table 2). 10.1% of the households reported



constant savings with cyclical fluctuations therein but with overall savings remaining more or less unaffected. Explanation of the same is provided by the low level of sustenance of these household who hardly find their two ends meeting. Savings for them were always at some insignificantly low level and changes therein seemed (to them) to be insignificant. However confirming the already established literary results a majority of population i.e. 51.6% reported a significant decrease in their savings over the reference period 1990-2010.

As far as the household indebtedness is concerned 43.1% of the households reported to have had increased borrowings: this is in conformation with a number of studies that report the same phenomenon. 26.9% of the sampled households reported borrowings to have remained constant. 30.0% of the households reported that their borrowings actually decreased as a result of the conflict. This can be an indication of declining social cohesion among the conflict effected societies were lending declines because of uncertain market and social circumstances. How far this preposition is a valid one can be an interesting area of research. When read in light of the savings as reported by the sampled households, household borrowings do exhibit some degree of conformity with traditional economic prepositions. Higher percentage decrease in savings coupled with a relatively lower percentage decrease in borrowings coupled with a lower percentage increase in savings and a relatively higher percentage decrease in savings is an interesting phenomenon exhibited by the sampled households. The measurement of the determinants of the same can be an insightful research endeavour.

**Table 01** *(savings and borrowings during conflict)*

Direction of change in savings/borrowings	Savings		Borrowings	
	Frequency (n = 160)	Percent	Frequency (n = 160)	Percent
Increased	61	38.1	69	43.1
Decreased	83	51.8	43	30.0
Constant	16	10.1	48	26.9
Total	160	100.0	160	100.0

Source: field survey

#### FINANCIAL AID FROM THE GOVERNMENT?

Post 2000 A.D, Kashmir has witnessed an observable revival of daily chores. The role of government in the same was evident. Launch of many centrally sponsored schemes, employment packages and sanction of government aid to the conflict affected families of the state were major instruments of government in this revival process. However as far as the reception of this government aid as a direct income support and a confidence building measure of the government by the beneficiaries within the sampled population reveals that the efforts (if any) have not been significant. Only 31.3% of the households reported to have received the government aid while a staggering 68.8% of the households reported not to have received any kind of aid from the government. This government aid (it seemed during the interview process) was an important explanatory variable for the increased savings of about 38.1%. About 90% of the household falling in the category of increased savings accepted to have received government aid. Thus, the economic efficacy of aid as an instrument of income support in the conflict environment seems to have been established, although not at a significant sample size.

**Table 02 (*aid from the government*)**

Government Aid	Frequency (n=160)	Percent
Received	50	31.3
Not received	110	68.8
Total	160	100.0

Source: field survey

**5.1.2 CONFLICT AND HOUSEHOLD EMPLOYMENT STRUCTURE:**

Change in the employment structure due to the conflict

Destruction of human lives is the most visible direct impact of armed civil conflict on household welfare. young men in prime working age that constitute the bulk of the fighting group on both sides of the conflict are among the majority who lose their lives, though a large number of more violent conflicts have been accompanied by violence against civilians, often children, women and the elderly (Dewhurst, P.1998). The death of household members in working age means that the household will be left with severely depleted earning capacity. This is often enough to push previously vulnerable households into extreme forms of poverty (particularly amongst households with widows, orphans and disabled individuals), which may well become persistent if the household is unable to replace labour (Justino, P. and Verwimp, P. (2006), Consequences in terms of household labour decisions can also be dramatic and long-lived. In many circumstances, the household may choose to replace dead or injured males with children. Children are then removed from school, which may in turn deplete the household of their stock of human capital for future generations. (Ghobarah, Huth and Russett, 2003; Alderman et al., 2004; de Walque, 2006).

Employment structure as observed from the field data is broadly in confirmation with the findings of these studies. As exhibited in Table 03, 53.7% of the households reported to have adults employed. 46.25% of the households reported child employment. This indeed is alarming because contemporary Kashmir society, particularly in the urban areas does not exhibit such mass scale child employment. Added to it the nature of employment as reported by the households (Table 04) the researchers got a feel of the validity of the responses to be high.

**Table 03 Who is employed**

Who is employed	Frequency	Percent
Adult	86	53.75
Child	74	46.25
Total	160	100.0

Source: field survey

**ADULT EMPLOYMENT?**

As far as the employment structure of the adults and children is concerned 28.8% of the households reported to have got employment in the government sector and 15% as drivers and automobile mechanics. 10% of the households reported manual labour in construction, 25% of the households reported handicrafts as an employment activity. 11.3% of households responded to have their economic activities sustained on account of employment as vendors. These results on the nature of employment are shocking. A cursory look on it reveals the vulnerability of these households on the employment front. The returns to all of these employments are very low. At the same time except for category I (Government employment 28.8%) all employments are seasonal in nature. The fall outs thereof cyclical fluctuations in the earning capacity of the households whose marginal propensity to consume is already high.

**Table 04 (Nature of Employment)**

Nature of employment	Frequency	Percent
Govt (class iv)	46	28.8
Drivers and mechanics	24	15.0
Manual labourers	32	20.0
Handicrafts	40	25.0
Vendors	18	11.3
Total	160	100.0

Source: field survey

**REASONS RESPONSIBLE FOR CHILD EMPLOYMENT?**

The International Labour Organization (ILO; 2011) reports Violent conflict generates worst forms of child labour. Conflict also impacts on the determinants of child labour: separation of families, loss of parents and increased poverty are some of the many consequences of violent conflicts that will push war-affected children into work often as a coping mechanism. In areas directly affected by conflict, a lack of work opportunities in the formal labour market is likely to push children into hazardous labour and other worst forms of child labour. Weak law enforcement, a culture of impunity, and the loss of traditional systems and values are contributing factors to a worsening children's rights situation.

As already referred to, child employment in this part of the world is not a rule but an exception. However, this study reveals that 46.25% of the households reported child labor as the only source of household income. A deeper analysis of the reasons for child labour revealed that loss of manpower within these 74 households forced children into the labor market. An overwhelming 53 i.e. 71.6% of the households reported loss of manpower as the only reason for sending children to work. In certain other households the existing adults employed in petty jobs did not earn enough to fully shoulder the monetary needs of the household. This ultimately led to the exposure of the children of the house to labor markets initiated by dropping out of the schools. Evidence to statement comes from the fact that 12 i.e. 16.21% of the households reported inflationary pressure as a reason for sending their children to work. 09 households i.e. 12.16% reported that their families were already associated with handicrafts and as such their children got to employment not because they were forced into it at the first instance, but because of the activity (Handicrafts) already being there.

**Table 05 (Reasons for child labor)**

Reason for child labor	Frequency (n = 74)	Percent
Loss of manpower	53	71.6
Inflationary pressure	12	16.21
Household	09	12.16
Total	160	100.0

Source: field survey

**6.1 CONCLUSIONS:**

A simple disagreement between two or more actors on some agenda, issue or idea to which all of them are a part gives rise to what in literary circles has been referred to "conflict. When these parties swell in proportions and become organized on the basis of certain homogenous factors this conflict changes both in dimension and content. Contemporary interstate and intra state conflicts go beyond the disagreements over opinions. They are grounded in much more complicated realities, either perceived or real. Contemporary civilization is at the cross roads of transition. A transition from what in literary circles is referred to a post modern era to a knowledge society. However a cursory glance over what we have left behind and what we are taking along into the future and securing it for the generations to come one gets surprised and astonished over the content of the progress that the human kind has made. From dictatorial dynasty rule to colonialism and there from to democracy and welfare state, human kind has seen all. What has alluded it at all times is

peace. At an individual level it has been the peace of mind that has been eaten away by such vices as not being in a position to secure some part of the development pie which collectively the society has managed across time and space. At the societal level it is a peaceful co-existence with the fellow societies and nations. It is the latter dimension of peace that has made itself the limelight of the day, however absence of the former dimension of the same phenomenon is more or less shaped both in content and in form by it.

The present study was designed to look into the absence of peace and its consequent impact on the household welfare (defined within the framework of pure economics). The findings of the study reveal that conflict has a negative impact on the saving capacity of the households; it depletes their resources and makes them vulnerable to the vagaries of the market. On borrowings impact of violence is somewhat mixed. With some households reporting increase in borrowings over the conflict period reiterates the negative impact of the phenomenon on the earning capacity of the household as an effective economic unit. Those of whom, who report a decline in borrowings over the same period, are the ones who witnessed a break down in social capital- trust, community relationships, kinship etc. Government aid that in the study area seemed to be an income support measure and a confidence building measure has not had an effective coverage.

On the employment front, more than 46% of the households report resorting to child labor as a coping strategy. As far as the nature of employment is concerned these conflict affected household reported to have been employed in the least remunerative activities.

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## ENDNOTES

<sup>1</sup> Using a cross section of countries, Barro (1991), Mauro (1995), Alesina, Ozler, Roubini, and Swagel (1996), and Acemoglu and Robinson (2001) find a negative relation between political instability and economic growth. Similarly, Venieris and Gupta (1986) and Alesina and Perotti (1996) find a negative relation between political unrest and savings and investment across countries. Abadie and Gardeazabal (2003) use GDP and stock-performance data to test the effects of domestic terrorism on economic growth in the Basque region. They find that terrorist activities reduce economic performance by 10 percent. Ferguson (2006) examines the relation between the concentration of violence in Central and Eastern Europe, Manchuria, and Korea and economic volatility, among other factors, in the 20th century.

<sup>2</sup>The treaty of Amritsar signed on March 16, 1846, by virtue of which British Government of India “made over for ever” Kashmir to Maharaja Gulab Singh and male heirs of his body in lieu of Rs 75 lakh Nanak Shahis

<sup>3</sup> The “standstill agreement” forbade Kashmir’s making agreements with countries other than



Pakistan without prior notification to the latter. A similar agreement was offered to India, which it refused.

<sup>4</sup> Pakistan Times (Lahore), Oct. 25, 1947.

<sup>5</sup> This accession and the circumstances under which it was concluded remains one of the fundamental contentious issues with the separatists/profreedom people and the state.

<sup>6</sup> For a detailed account of these developments refer to "The Kashmir Dispute after Ten Years" by S. K. Source: The World Today, Vol. 14, No. 2 (Feb., 1958), pp. 61-70 Published by: Royal Institute of International Affairs

<sup>7</sup> Ranging from militant attacks on Indian armed forces, their counter attacks, recurrent protests by general public, consequent detentions and a good number of draconian laws in operation and the fallout thereof etc.

<sup>8</sup> Including the rise of pressure groups in jammu region vehemently favouring integration t the indian union, the grant of Autonomous hill development council to Ladakh, a separate homeland for pandiths

<sup>9</sup> A recent strand of literature looking at economic causes for civil conflict (Carbonnier & Flemming 2000, Collier and Hoeffler 2001, Berdal and Malone 2000, Jean & Rufin 1996, Lamb & Nathan 2000) refers to "greed and grievances", arguing that while the latter are commonly perceived to be primary factors, the former could possibly have equal or more explanatory power. Grievances can include high levels of inequality or chronic unemployment, ethnic and religious clashes, or political repression. Greed, on the other hand, encompasses increased access to finance, including donations from a diaspora population, and the scope to gain from extortion of local resources. Greed and opportunity also relate to economic incentives for prolonging conflict.

<sup>10</sup> Sources: Collier and Hoeffler 2004; Butchart and others 2008; Walby 2004; Geneva Declaration 2008; UNDP 2005c, 2006; UNODC and World Bank 2007; Skaperdas and others 2009; Willman and Makisaka 2010; Farrell and Clark 2004; Altbeker 2005; Alda and Cuesta 2010; Kenya Ministry of Public Health and Sanitation 2007; World Bank 2010d.

<sup>11</sup> Refer to various issues of "Digest of Statistics" as published by Directorate of Economics and statistics Government of Jammu and Kashmir, Srinagar.

<sup>12</sup> (JK State Development Report, CHAPTER III Socio-Economic and Administrative Development p 88)

<sup>13</sup> Industrial Census of SSI in J&K (1998)

<sup>14</sup> Entrepreneur Development Institute (EDI), Ahmedabad, 1996-97 as quoted in JKSDR CHAPTER III Socio-Economic and Administrative Development p 103)

<sup>15</sup> Because of the unusual terms and conditions on the basis of which NHPC has invested in Hydel Projects in J&k

<sup>16</sup> See Eswaran and Kotwal, 1989; Rosenzweig and Wolpin, 1993; Udry, 1994; Fafchamps, Udry and Czukas, 1998

<sup>17</sup> All most all households who had received the government aid declined to comment on how exactly they were able to get the aid as on the other hand those who did not receive the aid complained of official apathy and corruption in the entire arrangement of dissemination of aid to the "militancy effected families" by the government.

<sup>18</sup> All of them are engaged as class IV employees

<sup>19</sup> However on further enquiries it was found that within the handicrafts sector which is otherwise a lucrative employment options it was mostly child employment that formed majority of those employed. These children were paid in the range of Rs 50-Rs 60 per day.

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