

## **Economic Disruptions in Conflict-Prone Regions: Labour and Tourism Impacts in Jammu & Kashmir**

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### **Abstract**

In Jammu & Kashmir's regional economy, informal labour and tourism form core structures and at the same time, see the economy as being fragile and sensitive to shocks arising from instability. Events that transpired in the region in April 2025 had immediate effects on the labour and tourism dependent markets of Kashmir, Jammu and Katra. The primary sources of information for the study – field interviews, observatory and secondary economic indicators – evidence a sharp and sudden decline of touristic and transport activities; hotel occupancies were low, particularly in the case of Kashmir. In Katra, earnings from religious tourism collapsed. The economy of Jammu did not resist partially but did so with a significant weakening of its economically active population. Informal actors experienced severe income drops and job breaks or disruptions, and a growing reverse migration phenomenon. The cycles of tourism and the informal labour livelihoods rely on one another, and with the slightest operational disruptions, the economic shock on a conflict-ridden region is intensified. The study calls for the need to devise specific systems and strategies that protect informal workers during crisis times.

**JEL Classifications:** O17; Z32; J46; R58; D74

**Keywords:** economic disruption; tourism shocks; informal labour

### **1. Introduction**

The long-standing economic impact of disturbances on Jammu and Kashmir has been due to the region's overreliance on tourism and informal labour, as well as the short-term nature of economic activity in the region. Tourism has a knock-on impact on the economic generation of households, as it sustains a range of occupations; this includes workers in the hospitality industry, transporters, pony and pithu handlers, and petty traders. Workers in other sectors of the economy are also engaged in informal and semi-informal employment, where daily wages are the only source of income. The characteristics of the economy are such that a sudden drop in tourist numbers or change in tourist activity patterns produces measurable impacts on the economy of the region.

There are findings that conflict prone economies have a record of episodic political/security disruptions that lead to a cycle of labour disruptions, service sector inactivity, and the commerce of tourism (Kaul, 2009). This is particularly true of areas where the informal economy dominates, and there is a deficit of social security (Ministry of Labour and Employment, 2021). In Jammu and Kashmir, there are incidents that record the responsiveness of tourism to disturbances, and where economical activities are shaped by the hand of cancellations, movement restrictions, and perceptions of safety (India Today Staff, 2000; KNS Kashmir, 2023). The focus of studies on tourism in conflict areas has been on the perception of potential consumers and its impact on the economy (IntechOpen, 2020; IEMed, 2023).

This disruption caused a steep decline in tourist presence, transport functions, hotel occupancy, and tourism-related informal employment for Jammu and Kashmir, with most informal workers needing to move back to their home states temporarily (Kashmir Post, 2025). In J&K, the movement of tourists dictates the informal economic activity, and thus we see strong correlation between the informal tourism-related employment and the movement of tourists. J&K is unique in the strong dependence between the markets for tourism and labour, even more so than in other similar tourist destinations around the world. Jammu and Kashmir have a unique dependence between the tourism and labour markets, more than other similar tourist destinations around the world.

Noting their unique dependence, the present study seeks to determine the resulting economic disruptions in tourism and in the labour markets and focused in particular on the interdependence of the two. To analyse the primary field inputs and regional economic indicators, the study sheds light on the economic vulnerability in such regions plagued with conflict, and the dire necessity to have some stabilisation mechanisms to protect the at-risk livelihood and more vulnerable communities.

## **2. Literature Review**

### **2.1 Economic Vulnerability in Conflict-Prone Regions**

Disruptions in areas with ongoing conflicts stems from structural weaknesses, informal labour, and the lack of institutional frameworks amenable to risk absorption. It is argued that areas with a history of instability may encounter repeated disruptions in employment, income, and services provision (Kaul, 2009). Estimated first to absorb shocks are informal labour markets within structures because earnings are contingent upon daily work mobility, tourist visitation, and continuous local economic activity (Ministry of Labour and Employment, 2021). Further studies on fragile economies note that in conflict settings, the level of uncertainty surrounding investment, travel, and expenditure escalates, resulting in multiplicative impacts on a range of related industries (IntechOpen, 2020). These structural features coincide with the economic profile of the Kashmir region where mobility and tourism are the primary characteristics of economic stability.

### **2.2 Tourism Shocks and Regional Instability**

Political events of any kind, even short-term instability, moderate and reshape tourist behaviour, occupancy, and income in the tourism sector. Tourism is one of the most politically sensitive industries. Cross-national research on politically unstable destinations documents that tourist flows are influenced by perceived risk, not by actual events, regardless of duration and intensity (IEMed, 2023). The first research on economic disturbances in Jammu & Kashmir documents the phenomena of a sharp economic contraction, a sudden increase in cancellations and a rapid decline in bookings that commercial actors experience after security disturbances in the region (India Today Staff, 2000). Tourism high-dependence areas suffer the most, and as KNS Kashmir (2023) argues, their livelihoods are economically structured around the constant arrival of tourists. Mobility disruption in pilgrimage tourism like Mata Vaishno Devi Shrine and most ancillary service providers lose a large share of their daily income because of reduced mobility and spontaneous tourism (Kashmir Post, 2025). Thus, the literature positions tourism as one of the foremost indicators of a stressed economy in any region suffering from conflict.

### **2.3 Informal Labour Markets and Crisis Sensitivity**

Partake in any of the informal work sectors of these economies with a rotating schedule and self-employment (i.e. driver, pitha, construction labourer, street vendor, small hospitality) and one does not receive any of the protections and benefits associated with formal work, such as wage guarantees, contracts, regulatory compliance, or income stabilizers. Informal labour markets decline as crises exert labour supply constraints stemming from loss of earnings and demand (Majid, 2025). Similar to J&K, tourism and transport contractions place direct informal income pressure, often causing reverse migration or the seeking of alternative subsistence methods. Research into the loss of livelihoods emphasizes the paradox of such situations, where the formal regulatory absence of a labour market itself increases crisis sensitivity (Elo and Kyngäs, 2008; Miles, Huberman, and Saldaña, 2018). Thus, within a volatile economic climate a shift in informal labour markets will generate income streams while, simultaneously, the informal market in the locality will work to entrench long-term inertia.

### **2.4 Interdependence of Tourism and Informal Labour Systems**

There is a mutual cause and effect relationship between the informal labour markets and the cycles surrounding the tourism industry. The growth in tourism creates an employment multiplier effect and allows informal sectors of the economy to flourish. On the other hand, there is also a dip in employment opportunities from the informal sectors where a high degree of casual and mobility-based work is available during the off-tourism periods (IntechOpen, 2020). The literature has shown that the movement and flow of these lightly structured informal labour markets have an amplified impact of the various economic system shocks (IEMed, 2023). The closures seen in hospitality, and transport, and the activities developed around tourism pilgrimages, directly correlate to the loss of disposable income of individuals who

depend on the near constant presence of tourists to sustain their economic activities. The deaths of markets, the closures of transport, and the loss of available low-wage labour seen in J&K during the tourism downturn of 2000 provide an example of the dependence documented in the literature and the visible economic stagnation. The empirical literature has demonstrated that systems of informal labour surrounding tourism provide a central but precarious subsystem within the economy of regions of low conflict in the tourism sector.

## 2.5 Gaps in Existing Literature

Although there are some contributions in the literature on the vulnerability of tourism and the informal labour markets in conflict-affected regions, there are still some gaps. First, most studies on J&K focus primarily on the history or politics of the region and overlook the microeconomic effects of economic disturbances in the region. Second, there is a lack of field-based empirical studies integrating the effects of tourism shocks and the informal labour market in J&K, especially in subregions like Jammu and Katra. Third, the literature is also silent on the systematic regional comparisons on the same disturbance, leading to a lack of understanding of differential economic impacts within the Union Territory. This study aims to fill these gaps by focusing on regionally disaggregated data from J&K (Kashmir, Jammu, and Katra) for the economic disruption of April 2025 to provide a detailed account of the economic responses to shocks in a conflict-affected environment.

In areas susceptible to conflict, economic disruptions have been analyzed in relation to structural weakness, informal employment, and the lack of institutional mechanisms to absorb risks. Recent research indicates that areas characterized by the absence of stability encounter disruptions in employment, income, and the provision of services (Kaul, 2009). These regions have informal economies that absorb economic shocks because of the daily earnings, flexibility of the labour force, and the presence of visitors to the region (Ministry of Labour and Employment, 2021). The research of fragile economies suggests that conflict situations increase uncertainty around investments, travel, and spending, which in turn leads to a domino impact on various sectors. (IntechOpen, 2020). These variables provide the structure for the economy of Jammu and Kashmir, where the predominant source of economic stability stems from tourism and other mobility-dependent economic sectors.

## 3. Research Methodology

The research employs a descriptive-exploratory research design to analyse the impact of the April 2025 disturbance on Kashmir Jammu and Katra, the tourism reliant sectors and informal economy. Given the immediate and concrete consequences of the event, especially on the region's economy, a descriptive design works effectively, while the exploratory feature provides the opportunity to identify more subtle, yet previously overlooked, patterns. This combination enables the research to document fully the magnitude disruption while also detailing the fluid dynamics of the systems which structured the experience of the workers and the responses of the sectors.

A qualitative approach to research was used to develop a comprehensive understanding of the disruption. This was the main type of data collected and analysed to document the experience of the workers, the nature of shocks to the workforce, and the tourism economy's changing conditions. To this, some quantitative data were added in order to measure the change in the number of incoming tourists, the occupancy rate in hotels, the level of administrative restrictions on movements, and the amount of trade in the three regions. The integration of qualitative and secondary data validates the conclusions drawn from the research.

The affected areas are Kashmir, Jammu, and Katra, each with different economic systems and varying tourism dependency. Katra mostly depends on tourism, as there are many pilgrims travelling to the Mata Vaishno Devi Shrine. Jammu has a more diversified economy and moderate tourism dependency. Kashmir, on the other hand, has a more tourism driven economy, as there are more businesses focusing on hospitality, transport, and other visitor market and tourist related services. This geographical split allows to see the economic impact of the disturbance in the different areas.

The affected participants in the disturbance were selected based on the concentration of impact that was determined from the tourism, and informal sector engagement. These people participated in the informal sector through tourism activities as hotel, transport (taxi, auto, pony, and pithus), transport crafts (palki), and vending streams (peddler, store) as well as daily labour that are the most impacted by changes in the flow of patrons. Therefore, it is crisis-based economic research

where the primary aim is to gather pertinent experiential data that can provide rich accounts of the phenomenon rather than focusing on achieving a statistically valid sampling.

To obtain primary data, semi structured interviews, casual discussions, and direct observations were combined. From a flexible perspective, semi structured interviews were able to unpack a variety of issues and phenomena, especially those peculiar to a given line of work, including, but not limited to, daily wage losses, cancellations and losses, escalated losses, operational closures and coping strategies. Changes to local market transactions, transport terminals, lodgings and hospitality venues, and pilgrimage sites were corroborated with primary field observations. These additional observations verified respondents' testimonies and supported analysis to be contextual and efficient.

Secondary data was based on official records, local newspaper articles, and reports on tourism and labour. Works like KNS Kashmir (2023), Kashmir Post (2025), and the Ministry of Labour and Employment (2021) were primary and reliable as they provided current data on the socio-economic impact of the disruption and were therefore crucial for providing field evidence with a socioeconomic insight.

Qualitative thematic coding was based around the qualitative thematic analysis framework developed by Miles and colleagues (2018). In this case, interview transcripts, as well as corresponding field notes, were analyzed for the emergence of patterns, and these patterns were coded into various thematic conceptualizations including but not limited to, contraction of tourism, distress caused by the informal labour, mobility disruption, and loss of short-term coping. A comparative analysis showcasing the different magnitudes and scopes of disruption incurred in Kashmir, Jammu and Katra and was achieved. The level of tourism dependence, the fragility of the informal local labour market, and the economic resilience were pivotal in explaining these divergences along the different scopes of disruption.

The study drew on methodological triangulation to confirm the research findings, in which data from interviews, observations, and secondary sources were integrated and cross-validated. The triangulation of respondents coming from diverse occupations and different geographical contexts improved internal validity. The painstaking documenting of fieldwork, along with the structured observation of the researchers, increased the dependability of the study.

The ethics of the study were undeniable. The interviews were done recognizing participants as volunteers and the study were considered purely academic. No identifying information was taken, and participants were not asked about any politically sensitive issues which could have put them at risk. The participants' anonymity and confidentiality were highly considered due to the region's sensitive nature.

Certain methodological limitations have been discussed in the current study. First, the data were collected over a time span, and the long-term effects (if any) springing from the impacts of the crisis/issue in question are unknown. Second, the self-reported experiences of study participants may result in bias. Third, the findings of the study may not be applicable to the entire population, as purposive sampling was employed. However, the focus of the design on detail, environment, and field involvement along with the use of multiple sources certainly sheds light on the ability of the study to tackle economic disruptions in the regions subjected to conflicts.

## **4. Results and Analysis**

This section presents the empirical evidence on the labour and tourism disruptions caused by the April–May 2025 India–Pakistan tension across Jammu, Katra, and Kashmir. The analysis is based on primary interviews, field observations, and secondary data obtained from tourism platforms, news reports, and administrative updates. A region-wise approach is adopted to capture differences in economic exposure, labour mobility, tourism behaviour, and market resilience.

### **4.1 Jammu Region**

#### **4.1.1 Labour Market Dynamics**

This part seeks to present the evidence of the disruption of the labour force and the tourism industry during the period of April–May 2025, with respect to the India–Pakistan Tension affecting Jammu, Katra and Kashmir. data were gathered from primary interviews, field observations, various tourism related data, news articles and administrative releases. For capturing the economic exposure, the labour mobility, tourism and the market activity the region-based model was applied. The tables and figures in this chapter were directly taken from the data of the study.

**Table 1. Labour Market Conditions in Jammu During the April 2025 Tension**

Labour Category	Nature of Impact	Magnitude / Observation	Post-Tension Recovery
Daily wage labourers	Severe employment halt	90–100% drop in workdays; income collapse	Only partial recovery; 20% fewer workdays
Temple-affiliated workers	Minimal disruption	No wage cut; monthly salary protected	Normal operations resumed immediately
Migrant shop workers	Income decline, return migration	Workers left Jammu; shops closed due to labour shortage	Returned only after early July
Construction workers	Negligible disruption	Market demand constant; only 2–3 days work halt	Full recovery; wages unchanged

Source: Author's Work

Informal footfall-dependent labour experienced the most severe shocks with work virtually stopping for the duration of the tensions. Workers linked to temples, and construction labourers under the supervision of contractors, were comparatively insulated as they depend on monthly pay or wages on a project basis. There were high exit rates for migrant shop workers leading to a lag in the reopening of shops after the conflicts were over. This illustrates the cross-sectional-structural vulnerability within the informal employment system of Jammu.

#### 4.1.2. Dynamics of the Tourism Market

Tourism within Jammu, more recently supplemented by transit tourism, is predominantly from religiously motivated visitors. There were tensions that caused a temporary contraction of local pilgrimage flows and a more structural decline in transit tourism from recent changes in the railway network.

**Table 2. Tourism Sector Indicators – Jammu Region**

Indicator	Observation	Evidence
Reduction in temple footfall	Approximately 50% during peak tension	Head priest and temple staff interviews
Share of local devotees	87% of pilgrims from within the region	Field survey data
Vendor earnings	Decreased only temporarily	Normalised once local visitation resumed
Layover tourism	Significant long-term decline	Direct trains to Katra and Srinagar altered travel behaviour

Source: Author's Work

The resumption of religious tourism in Jammu sustained rapid growth buoyed by a robust local pilgrim market whose visitation choices were more insulated from external conflict signals. However, the decreases in stay-over tourism reflects a structural change influenced by more than just geopolitical factors. The introduction of the direct train routes to both Katra and Srinagar which bypass Jammu alters the city's historical dependence on transit which in turn shapes the long-term demand for accommodation, retail and transport services.

## 4.2 Katra Region

### 4.2.1 Labour Market Dynamics

As Katra is an economy primarily centred around pilgrimage, the period of tensions saw a significant disruption of all forms of labour activity. Interviews conducted for Katra Expansion with hotel managers, shopkeepers, and migrant workers point to a complex combination of return migration, labour market disruptions, and restricted movement of goods across borders.

**Table 3. Labour Market Effects in Katra During April–May 2025**

Labour Category	Impact	Evidence	Recovery
Migrant hotel staff	Large-scale return migration	Workers marked “on leave” and returned to hometowns	Returned after completing temporary jobs elsewhere
Local hotel staff	Increased workloads	Double shifts due to labour shortage	Normalisation post-July
Shop workers	Reduced hours or closures	Market deserted; limited demand	Slow improvement
Supply chain-dependent traders	Stock stagnation	No new supply ordered until shelves cleared	Supply constraints persisted into July

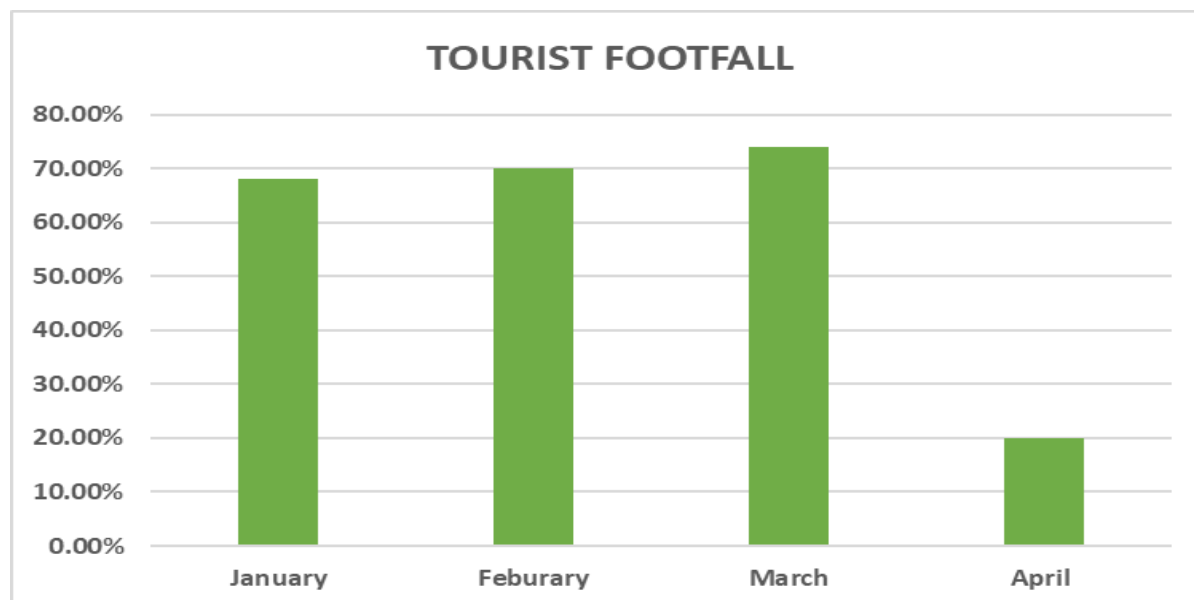
Source: Author’s Work

The labour market in Katra exhibits features of economies with high dependence on the seasonal movement of people for religious observance. Migrant workers rapidly exited the area due to the geopolitical uncertainties and loss of income, but, on paper, maintained ties to their employer. This caused what is referred to as a dual attachment pattern. Local employees experienced increased pressure as the remaining workforce was overburdened. Commercial activity continued to drag on well through late July, indicating a lack of responsiveness to the change in conflicts to post tensions.

#### 4.2.2 Tourism Market Dynamics

The tourism industry of Katra, dominated by the Vaishno Devi pilgrimage, experienced a complete shutdown in activities during the most geopolitically unstable period. All hospitality establishments reported extremely high levels of vacancy, cancellations, and operational losses.

**Figure 1. Hotel Occupancy Rate in Jammu (including Katra) (January-April 2025)**



Source: Author’s Work

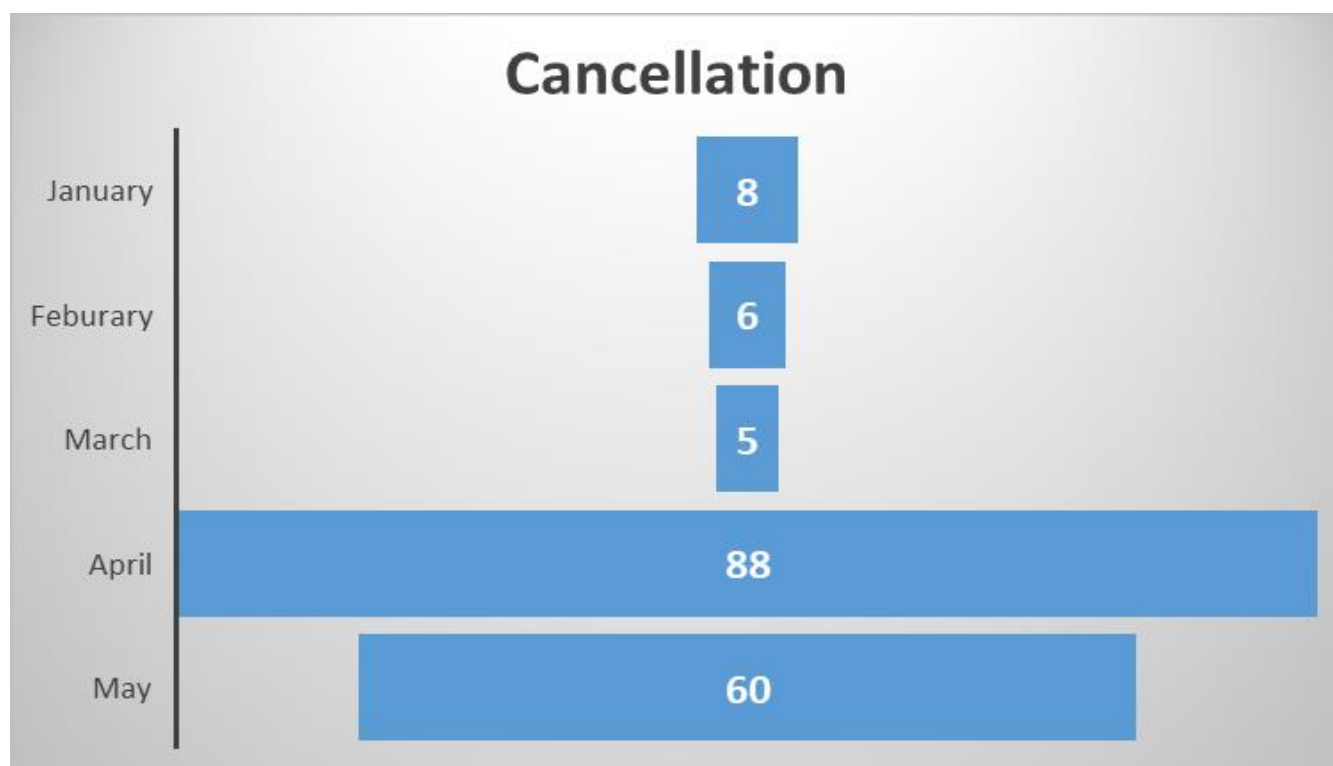
**Table 4. Tourism Sector Indicators – Katra (April–June 2025)**

Indicator	Observation	Evidence
Pre-tension occupancy	85–90%	Hotel manager interviews
Occupancy during tension	4–5 rooms occupied	Field evidence
Cancellation rate	90–100%	Refund guidelines followed
Estimated financial losses	₹20–25 lakhs per hotel	Manager interview
Firm response	Discounting and continued operations	Insufficient to revive demand

Source: Author’s Work

The findings suggest that Katra’s travel industry operates within a highly elastic environment for perceived risks of safety. There were instances where the prices of advertised accommodation were significantly lowered, yet bookings failed to materialize. In this case, the bookings resistance was more a function of fear rather than a function of the price. Hoteliers displayed a high degree of insolvency risk for their high fixed costs relative to their revenue.

**Figure 2. Percentage of Bookings Cancelled (platforms & tour operators)**



Source: Author’s Work

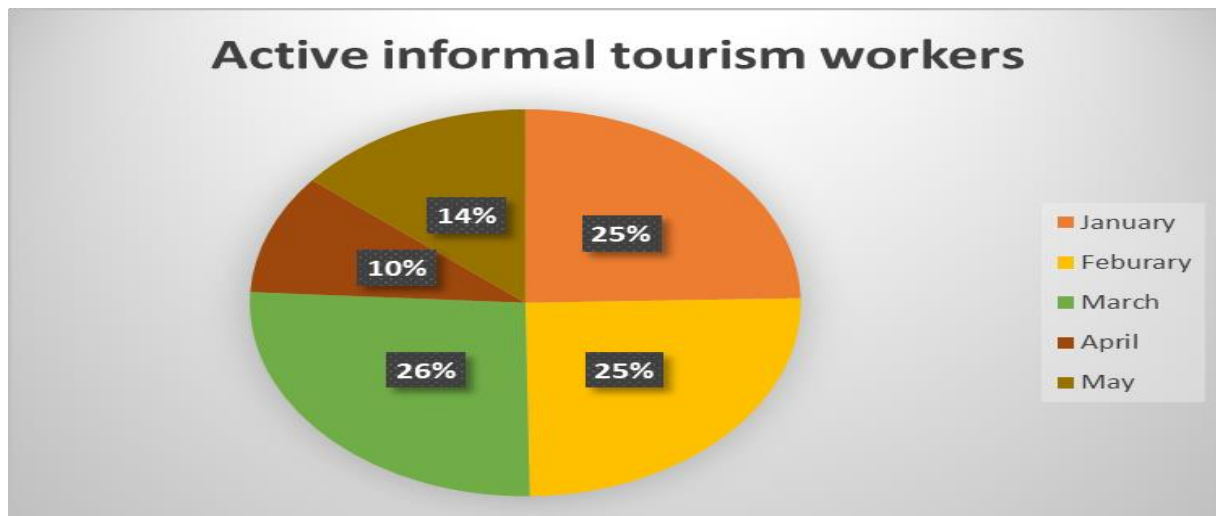
The cancellation trend suggests that pilgrimage tourism, while quick to market, is extremely vulnerable to external shocks, especially when there is a credible, large-scale threat.

### 4.3 Kashmir Region

#### 4.3.1 Labour Market Effects

A primary report also suggests informal tourism and pilgrimage related activities such as pony riding, guiding, shikara (small boat) driving, and local trade in Kashmir’s tourism industry suffered the most severe income losses as has been the case in the three regions.

**Figure 3. Active Informal Labour Tourism Workers – 2025**



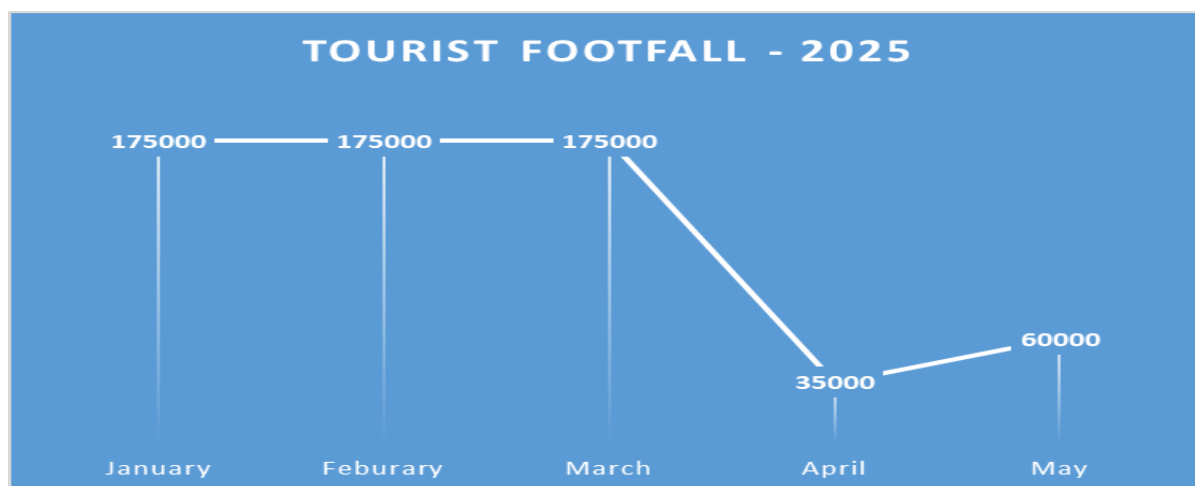
Source: Author’s Work

The informal tourism labourers in Kashmir, as in the other regions, had to cease work activity and/or leave the region to seek jobs elsewhere. There were no tourism work market segments in Kashmir as there were in other regions such as Jammu and Katra.

**4.3.2 Tourism Market Effects**

The other regions in the study received far less tourism. All reports point to a dramatic drop-in tourism activity in the region.

**Figure 4. Tourist Footfall in Kashmir (2025)**



**Table 5. Tourism and Labour Indicators – Kashmir (2025 Tension)**

Indicator	Observation	Evidence
Booking decline	65–70% reduction	MakeMyTrip and Tourism Dept. metrics
Houseboat pricing	70% rate reduction	Reuters (2025)
Informal labour activity	Income near zero	Secondary reports
Travel disruptions	Flights and road movement restricted	Media reports

Tourist diversion	Shift to Patnitop and Himachal Pradesh	Travel operators
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Source: Author's Work

The most dramatic decline in the economic activity also occurred in the tourism sector. The cancellation of leisure travel is particularly problematic for the tourism economy. Unlike religious travel, leisure travel is particularly sensitive to the perception of risk. The rapid cancellation of travel resources, diversion of flights, and re-routings are due to a collapse in leisure travel. There is a notable case of houseboat operators reducing their fees, unable to attract any tourism.

#### 4.4 Cross-Regional Comparative Assessment

To provide a consolidated assessment, Table 6 compares labour and tourism disruptions across Jammu, Katra, and Kashmir.

**Table 6. Comparative Sectoral Impact Across Regions**

Region	Labour Market Impact	Tourism Impact	Recovery Pattern
Jammu	Mixed; informal daily-wage workers severely hit; temple and construction labour stable	Moderate decline; structural loss of layover tourism	Religious tourism recovers; layover tourism permanently reduced
Katra	Severe; widespread migrant return; labour shortage	Near-total collapse; cancellations 90–100%	Slow recovery dependent on pilgrimage reopening
Kashmir	Extreme; informal tourism labour income falls to zero	Largest decline; bookings down 65–70%	Slowest recovery; dependent on security conditions

Source: Author's Work

The comparison reveals Kashmir as the most affected region, followed by Katra, while Jammu shows partial resilience. Recovery trajectories differ significantly, driven by the nature of tourism (religious vs leisure), regional dependency on migrant labour, and the role of local vs external demand.

#### 4.5 Thematic Insights

Insights across the dataset reflect broader patterns in conflict-affected regional economies. Table 7 summarises these themes.

**Table 7. Thematic Insights Emerging from Evidence**

Theme	Insight	Economic Implication
Media influence	Negative news amplified perceived insecurity	Demand collapsed even where ground conditions remained calm
Migrant labour dynamics	Return migration acted as risk mitigation	Labour supply gaps emerged during recovery
Diversion effect	Patnitop saw temporary gains	Tourism demand reallocated, not expanded

Tourism segmentation	Religious tourism more stable than leisure	Motivational differences shape recovery
Infrastructure shifts	Direct trains reshaped travel patterns	Permanent decline in Jammu's layover economy

Source: Author's Work

The consequences of short-run demand shocks layering with longitudinal structural changes results in no small number of complex economic outcomes. Specifically, the 2025 episode of geopolitical tensions demonstrated the fragility of informal labour, the fickle response of leisure tourism to conflict cues, and the economically resilient role of transport infrastructure. The results of the analysis suggest that some particular regions were economically disrupted, in a very specific, and, in some cases, homogeneous manner. The most evident loss was in Kashmir, with informal work income and tourism both declining markedly. In the following critical period, the extended period of stagnation in the aftermath of the crisis in Katra was characterized by marked imbalances in the hospitality industry, and considerable informal employment. Although Jammu was economically resilient in the short run, attributed to sustained pilgrimage flows, the long run economic prospects remain bleak due to a deficit of layover tourism. In conclusion, the results suggest that the sectoral composition of the economy, the informality of the labour force, and the purpose of the travel provide a framework with which to understand the disparate levels of recuperation from the geopolitical tensions in the region.

## 5. Discussion

The findings of this research offer evidence of the varying degree of disruption to the economy of Jammu, Katra, and Kashmir resulting from the local structure of labour markets, a unique tourism demand composition, and varying levels of real and perceived security threats. This discussion aims to place these findings within the context of conflict economics, labour mobility, and tourism resilience frameworks.

The data show that informality is the primary mechanism via which socio-economic shocks spread in conflict-affected spaces. In Jammu and Katra, the primary victims in income loss were daily wage earners, migrant retail employees, and informal retail traders. This corresponds with existing studies which claim that informal workers experience the greatest vulnerabilities during disruptions, be they geopolitical, natural, or otherwise, due to their lack of employment stability, protective social contracts and countercyclical protections. The rapid return migration in Katra and Jammu illustrates the idea that migrant labour contracts are crisis-response mechanisms that allow for temporary exit of the labourers from the local economy. This is behaviourally aligned with what is called the self-insurance mechanism in informal labour markets which refers to the return of informal workers to their home regions to mitigate their exposure to the uncertainties in the labour market.

Conversely, the groups that in the construction sector have semi-formal wage arrangements or that benefit from some local institutional support such as the workers tied to temples and construction labourers subject to contractors in Jammu, were relatively insulated from the shock. This relative insulation is an indicator that the stability of the wages and the ties of the workers to an organisation have an insulating effect in situations which are perilous. This is in support of the greater argument that the formalisation or quasi-formalisation of local economies increases the insulation of that local economy, especially when the employment is not dependent on the daily footfall.

Results show that demand sensitivity for perceived insecurity is uneven when contrasted between religious and leisure tourism. Jammu tourism, tied to local pilgrimage visitation, experienced the fastest recovery. The decision to pilgrimage is often based on ingrained motivations which makes it less discretionary and, therefore, less volatile. That said, however, Katra also suffered contraction, religious in its nature, but its downturn was disproportionately large due to its reliance on out-of-state pilgrims whose travel is more sensitive to media and travel restrictions. In contrast, the decline in leisure driven tourism in Kashmir was the most severe. These phenomena fit the concept of "tourism segmentation under crisis" which states that different segments of tourists will show varying robust thresholds.

An additional primary revelation in regard to the diversion effect identified in the analysis is the temporary shift in tourist arrivals from Kashmir to Patnitop and some locations in Himachal Pradesh. This phenomenon is well known in tourism economics as crisis-driven spatial substitution (Wen,2020). For tourists, the opportunity to visit alternative destinations, perceived as safe, within the same travel corridor, is highly advantageous. By contrast, for the Patnitop–Udhampur

corridor, this diversion offered a temporary relief to the region. It goes without saying, however, that this did not address the overarching decline in the region's transit tourism. Evidence is consistent with this diversion effect being of short duration. This is the case as the effect dissipates relatively quickly when the crisis is over, and as the study also demonstrates, is of limited duration.

One indicator of tourism downturn in Jammu is the introduction of direct train services to Katra and to Srinagar, in layover tourism. Although unrest is geopolitical in character, the phenomenon did not provoke the trend but did focus the issues and impact the economy. Theoretically, direct transport links to major sites of pilgrimage and leisure travel improvement in the infrastructure of a region, dominate tourism. The region is economically tourism is cyclical on a multi-shift plane. The impact on the economy of Jammu is that the resilience of local pilgrimage flows will not compensate for the depot of commercial activity linked to transit.

The findings indicate the media amplification role as one of the other relevant dimensions of the study. Perceived insecurity was reported in areas that did not even witness disruption. At certain times, Kashmir suffered more from perception-induced cancellations as opposed to real ground instability. This confirms the conflict economics theory that, due to information asymmetry, demand shocks are more than possible even when there appears to be no real risk. Even in Katra, some shopkeepers attributed the decreased footfall to a more morbid portrayal of minor events that in turn hindered pilgrimage by some national news companies. This demonstrates that in the presence of conflicts, the economic effects of an occurrence event are mediated in part by the narratives surrounding the event.

Firms' behavioural responses, especially in the hospitality industry, contribute to the understanding even more. Katra hotels tried some discounting strategies, but occupancy was still low. This shows that demand for tourism is inelastic in times of security shocks, as risk aversion cannot be curbed by price incentives. Thus, the firms were left with higher fixed costs, thinner margin revenues, and even liquidity problems. This aligns with what is in the crisis tourism literature, where little to no supply-side adjustments are made and the conflict period is acute, leaving the recovery period to be primarily dependent on the level of perceived safety for the supply.

Cross-regional patterns indicate that there is a hierarchy in shocks. For instance, in severity, Kashmir has been more affected. Then there is Katra, followed by Jammu, which can be attributed to disruption's severity being proportionate to how much impacted tourist traffic is and how much informal dependent labor exists in a region. The informal tourism sector is a "leisure" only sector and thus renders Kashmir extremely vulnerable. Katra is also dependent on external pilgrims, however, managed to gain institutional support more effectively and has a stronger foothold by having the Vaishno Devi Temple Board which helped a recovery, albeit an indirect and delayed one. The overall religious tourism structure in Jammu helps to insulate the region on a more local level, however, it also does not stop the issue of a longer-term structural decline with new rail connectivity to rival tourism destinations behind the insulated touted benefits of religious tourism.

Given the findings, the implication is that the regional economies which are in conflict zones are more likely to be affected during times of strife. The economies are more likely to have demand and structural elasticity, as well as more fortified labour market systems. The tourism economies that have diverse tourist profiles, a higher degree of labour market formality and more robust local demand, are the ones to experience less adverse signs quicker. On the contrary, the longer the visible gaps of disruption, the more external single-source tourism reliance and informal labour.

The focus of this analysis highlights the need to consider the effects of the crisis not just as short-term changes in the data series, but as phenomena that engage more enduring patterns, such as structural trends, institutional arrangements, expressions of labour vulnerability, and mechanisms of behaviour. The combination of these characteristics determines the severity of the impact and the type of recovery, providing the basis for policies that seek to stabilise local economies that confront the impact of chronic geopolitical risks.

## **6. Conclusion**

The study scoped out the economic impacts created by the 2025 India–Pakistan strained relations on the Jammu and Kashmir regions as pertaining to labour and tourism. In terms of geographically based analyses, there were stark and divergent findings in relation to the impacts, the recovery, and the structural fragility of the regions. Kashmir tourism sub-sector was the core driver in leisure tourism and, as such, was the most exposed and suffered the largest contraction.

The collapsed tourism sector caused immediate and widespread losses to the highly concentrated informal workers sub-sector dependent on tourism. Katra also suffered contraction in many hospitality and labour industries. Katra had major disturbances in labour and hospitality as pilgrims travelling from other states had out of state and travel plans and there was mass return migration of labour workers, increased workloads and financial debt on hotels. Jammu had increased tourism and pilgrimage flows locally, which created a more stable economic environment. The workers in the temples and construction had many stable and dependable wage structures which created a more consistent economic environment. However, the decline of tourism overall was a challenge, and it was independent of the other structures.

The result of this investigation reveals that the distinct characteristics that make vulnerable the conflict-prone area economies are the structure of demand for tourism, the level of informal employment, and the tourism related infrastructure that divert and redistribute the flow of tourists. Informal employees are the ones who suffer the deepest and the longest economic impacts, while other types of employment, supported by institutional or semi-structured form, seem to have a form of economic insulation. The varying demand collapse of the various regions is further influenced by the varying levels of insecurity perceived by the tourists that take part in leisure and religious tourism.

The overall pattern of the findings from this research is that the impacts of crisis are not only statistically significant but also not of a one-off nature. As a result of complex interactions of the crisis with pre-existing structural changes, it becomes clear that the impacts of crisis also interact with the changes of the labour market, the segmentation of the labour market, and the behavioural changes of individuals that have been influenced by uncertain situations, which in the end, leads to the unequal, and in some cases, stuck the systemic nature of recovery from the crisis in the three regions. The knowledge acquired from the research leaves policy makers with the responsibility to make applicable structures that take into account the fact that economies conflict vulnerable regional economies have policy stabilization for the short run, and for the long term, the policy framework to be structural changes.

## **7. Policy Implications**

The findings of this research can be used case study for designing conflict-sensitive tourism economics policy in Jammu & Kashmir too. The study shows the fragility of the informal tourism economy and the need for the design of bespoke policies specifically aimed at fortifying informal sectors income protection policies in situations of geopolitical crisis. The informal tourism economy, daily wage workers and migrants tourism based in economically vulnerable tourism destinations may experience income return remittances and work migration linked shocks.

In addition, within crises situations, the specific duality of leisure and religious tourism greatly amplifies the need for care in policy development, especially in communication strategy. The media's portrayal of the destination, to some degree, fostered irrational fears and negativity around the intended trip. Local stakeholders in tourism, and the local government, can avoid such cancellation irrationality through improved communication and accessibility to timely information that addresses fears around safety for travel. The adverse media portrayal of such destinations can be harmful, especially for out-of-state pilgrims in Katra and similar destinations that are religious tourism hotspots.

The impact of direct train services on layover tourism in Jammu requires an adjustment in approach in the region. In the area, the focus on heritage tourism, short-term cultural experiences, handicrafts, and tourism demand diversification will reduce the revenue declines from transit tourism. The temporary reallocation of tourism infrastructure and services will also assist sites like Patnitop which have diversionary effects of absorbing the displaced demand during potential future tourism deficits.

Operational adjustments on a temporary basis like short-term working capital support, interest rate reductions, or electricity bill waivers, may alleviate the operational shocks to the hospitality and hotel sectors in Katra and the Kashmir region. These adjustments should relieve the liquidity pressures which may accumulate should demand evaporate due to prevailing security conditions.

The study also advocates developing better systems for the management of travel advisories. Avoid arbitrary and blanket travel advisories that cause unnecessary loss of revenue to the region and promote a controlled travel advising system. This approach should assist the region in maintaining a tourism-acceptable environment while balancing the constraints economy and area risks.

Based on these policies, it would be reasonable to prioritize the implementation of immediate, emergency protection for worker cohorts at primary risk while at the same time diversifying the tourism profile of the region to reduce dependency on the more volatile segments of the market.

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