



An empirical Performance analysis of Gems & Jewellery Industry in India

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Abstract: The prime objective of the study is to shed light on various issues and scope of gems and jewellery export in India. Indian gems and jewellery industry has attained a remarkable position worldwide. Artifacts of India's export of gem and jewellery are acknowledged all over the world for their exquisite craftsmanship. However in the present scenario industry is confronting various hindrances which obstruct the path to realize its true potential. It has become statutory to deal with the problems and constraints which are being faced taking in the account of the fact that during FY 2013-14 the sector has contributed \$34746.90 million to Indian exchange earnings, which states the decline in export by 10.58 percent. Due to the dependence on imports, the complexities involved in obtaining import license by the government should be simplified and also the lengthy procedures and intricacy involved in trading need to be rationalized. In order to sustain its position in international market there is an immediate requirement to modernize the product designs and procedures involved. In addition to this the working condition of the workforce should refined to a great extent and their ill-wage structure must be revived. Some of the other major concerns being faced are lack of training facilities, existence of Casteism, lack of permanent work, financial issues, procedural hardship and financial issues. In the view of the declining growth rate the government has instigated various measures and also a significant amount of investment in gems and jewellery sector is accounted, as a result of which the gems and jewellery industry has recovered to a certain extent. There was an increment of 12.65% percent in export of cut and polished diamonds in FY 2014. As per an industry study the sector is anticipated to draw Rs 15,000 crore (US \$ 2.42 billion) by the end of 2015 which would be a striking increase by December 2012 with Rs 8000 crore (US \$ 1.29 billion).

Keywords: gems and jewellery, exports, growth, artifacts, industry, international market, inventory.

1. GEMS AND JEWELLERY INDUSTRY OF INDIA

The industry of gems and jewellery is a captivating industry. Millions of people have been engaged in it. In India it is scattered throughout with every village having a family of goldsmith. 85 per cent of the diamond is processed in Gujrat. With Surat, Bhavnagar and Ahmedabad being the diamond centres.

There are also diamond processing units in Mumbai, Trichur, Coimbatore, Jaipur and Goa. Mumbai is the prime trading centre for diamond exports as it accounts for 93 percent of diamond exports being dispatched from Mumbai airport.

Majorly the products can be categorized into 8 groups

- Cut and Polished Diamonds
- Gold Jewellery
- Coloured Gemstones
- Pearls
- Non-gold Jewellery
- Costume/Fashion Jewellery
- Synthetic Stones
- Rough Diamonds

A considerable part of rough, uncut diamonds processed as polished diamonds or finished diamond jewellery is exported, whereas foremost part of gold jewellery manufactured is consumed within the country.

Both as a source and consumer, India holds an outstanding position in gems and jewellery market globally. The industry has turned into one of the major pillar of economy which leads to the growth of India.

The gem and jewellery artifacts of India comprehend a fair amount of scope and future in varying degrees globally. Due to its talented craftsmen, cost-effectiveness & supreme enactment in cutting and polishing of diamonds and precious stones it has gained popularity world-wide. It also plays an essential role in India economy.

So it becomes obligatory to deal with the problems and constraints which are being faced by this industry. This study will analyze and give emphasis to various problems and prospects of gems and jewellery sector particularly with reference to the exports from India to the rest of the world.

2. PROBLEMS AND CONSTRAINTS

The export of gems and jewellery in India is marking a positive trend and elevating every year. Despite that there exist a handful of problems. The various issues related to production, consumption and marketing encountered by manufacturers and exporters are both generic and specific in nature. The most important problems to be dealt with are discussed below:

- **Over –reliance on imports:**

In India 90 per cent of raw material is imported since the factual demands are substantially more than the innate gems mineral production. The raw material being imported comprises 50 percent of rough diamonds. In 2012-13 the total import of raw material was 36.90 USD Billion out of which import of rough diamond was 14.89 USD Billion. Europe has become the largest importing destination of raw material for Indian gems and jewellery industry. Prime export of raw material are from Belgium, the UK, Israel, the, UAE Switzerland, South Africa, Australia and Hong Kong. An increase in export would require increase in import. Also due to dependence on import high level of inventory is maintained which increases the cost and incorporate inventory price risk.

- **Emerging rivals:**

Even though India is dominating in the export of cut and polished diamond, China possessing similar qualities like cost effective labor, infrastructure and liberal government may come out as a major rival in future. Another key aspect where India faces a major threat from china is Technology. Italy is the prime competitor in the field of gold jewellery and studied jewellery. Also, in order to gain monetary gains from diamond value chain, large diamond producing countries in Africa i.e. Namibia, Botswana and South Africa are seeking investments in cutting and polishing industry. Moreover Israel being one of the three biggest countries in diamond processing is turning out as a global coloured gem stones centre. Identically for technologically advancement Belgium employs scientific and research section and holds provision of social fund for the help of the highly skilled diamond worker.

- **Disparity in growth:**

The gems and jewellery industry gives ample amount of significance to one item, i.e. diamonds which accounts for 85 percent of total exports whereas very less significance is given to the other items.

- **Changing Trends of fashion:**

India not holding adequate amount of design development centre to come up with latest innovative designs and feedback makes it difficult to catch up with fashion needs of the foreign buyers. Due to change of fashion, demand of previous products declines which block manufacturer's capital and huge stock is collected.

- **Traditional way of crafting:**

The two factors which granted a cutting edge to gems and jewellery manufacture are modern state of art machinery and computerized operations .Due to small size and disordered nature of majority of the industry, practice of latest technology and automation in manufacturing and designing of gems and jewellery is relatively low in India which results in insufficient productivity. In order to adopt the modern techniques substantial amount of investment is required which is a burdensome mission.

- **Issues related to workforce:**

Lack of Training Facilities: The manpower associated requires a feast of practical knowledge, despite that the number of training institutions linked are very less and only put up conceptual knowledge which are inadequate.

Existence of casteism: Casteism is blindly followed in this sector; distinct castes have possession of specific works of processing. For example in Jaipur near about 90 per cent labourers engaged in this process are Muslims .Similarly Gujratee trainers prefers Gujratee trainee only. On an account of this outlook inefficient persons have entered in this occupation whereas workers with real aptitude are kept out of the industry.

Lack of permanent work: In gems and jewellery industry about 10 per cent of the total persons come in the trade every year. And before the establishment of the trade they withdraw due to lack of permanent work. In case of ghat-making, there is no organizational setup due to which the ghat-makers they don't have any permanent work.

Unsuitable Working and Payment Conditions: The workers are facing despair situation due to ill-suited working conditions and dearth of set schedule. When required they work for more than 12 hours and in situation of no work labourers are let helpless. There are not paid on fixed basis and on time. The provision of clean water, proper shades and proper light are also not provided to them.

- **Economics issues:**

Considerable amount of finance is required for investment in the sector of gems and jewellery since majority of the stone dealt with is expensive. Prime issues experienced by exporting in sourcing finance are listed below:

-High rate of interest imposed by the bank on export credit and biasness in rating of gem and jewellery firms by credit rating agencies.

-Scarcity of dollar credit for sourcing rough diamonds and less consent on extension of credit limit.

-Complex time consuming protocols of financial organization

- **Complex procedures:**

Export of finished artifacts and import of raw material in this sector requires lengthy procedures incorporated through the policies of the government which are updated time to time. Bank related activities such as transactions also demand a lot of documents to be submitted and procedures to follow by the exporter.

- **Sub-standard Quality and Productivity:**

Extended hours of work, uneasy working environment and unhealthy atmosphere results into low productive labour force as compared to China, Thailand, the USA, the UK, Sri Lanka and Israel. Furthermore due to less prominence towards quality the market portion of India in medium and large sized diamonds is comparatively less.

- **Problems related to exchange rate:**

As the industry is entirely based on export of products and import of raw material, it gets affected by rupee/dollar exchange rate .Alteration in the exchange rates affects the margins of the trader.

- **Anti social activities:**

Security has become one of a major issue to be dealt with due to increase in anti social activities like robbery etc. On the other hand terrorist activities emerge as a significant loss to the trade activities and also Indo-Pak relations troubles the gems and jewellery trade in India.

3. FUTURE PROSPECTS

The gems and jewellery industry being fully export oriented plays a vital role in the Indian economy and shares a substantial amount of total exports. Gems and jewellery exports accounted for 13.28 per cent of India's total exports in 2009-2010 and a downfall 10.58 %.

Regardless of this, it seems that performance of the industry in FY 2014-15 will be propitious due to the rise in demand for silver jewellery and government approaches like easing the restriction on gold imports by cutting 80:20 scheme and permitting 4 additional banks to control import of gold.

Product-wise Export Potential:

Product wise analysis shows that exports are overly concentrated on cut & polished diamond and gold jewellery whereas other products like coloured gems stones, pearls, synthetic stones, costume fashion jewellery and rough diamonds possess very less share.

Table 1 Product-wise share in exports from 2004-05 to 2013-14

Sr. No.	Items	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
1	C & P Diamonds	11163	11831	10910	14205	14804	18244	28221	23356	17431	19643
2	Coloured Gem Stones	193	234	247	276	261	287	315	344	653	520
3	Gold Jewellery	3784	3882	5209	5562	8746	7679	7763	9797	13038	8122
	Gold Medallions & Coins	0	0	0	0	0	0	4939	6989	5235	3069
4	Pearls	3	2	2	4	4	3	4	4	5	10
5	Silver Jewellery	129	146	175	229	237	416	566	761	923	1458
6	Synthetic Stones	1	1	1	1	1	1	17	25	52	80
7	Costume Fashion Jewellery	9	12	8	6	9	15	6	11	17	18
8	Sales to Foreign Tourists	20	26	42	72	56	42	40	63	56	70
9	Total	15301	16135	16594	20355	24118	28687	41872	41350	37410	32991
10	Export of Rough Diamonds	357	566	565	567	776	744	1137	1772	1579	1584
11	Rough Stones, Pearls & other Roughs						10	40	89	148	418
12	Net Exports	15658	16701	17159	20921	24894	29442	43048	43211	39137	34993

Source: Gem and Jewellery Export Promotion Council (GJEPC), Ministry of Commerce and Industry, Government of India, New Delhi.

It is evident from the figure that out of the total export in the industry, cut and polished diamond comprehend the highest share and accounted 70 percent of the whole in the period 2005-06 after this period it has started declining and was reported 50 percent in the period 2013-14 .The gold jewellery retains the second largest position in terms of export and demonstrates a positive shift from period 2004-05.

Prime Exporters-wise Export Potential :

Country wise analysis exhibit that the major export destinations of gems and jewellery industry are UAE, Hong Kong, USA and Belgium and the countries Singapore, UK, Japan are the minor importers.

During FY 2013-14, UAE accounted largest importer of Indian's gems and jewellery with a share of 30.65 percent, the second largest was Hong Kong with a share of 26.72 followed by USA and Belgium having 18.73 and 6.42 percent share. It is evident that these 4 countries comprise around 82 percent of the total export.

The government is looking forward to enter new ventures and markets such as Middle East, Russia, China by various initiatives and export promotion activities.

GOVERNMENT INICIATIVES AND POLICIES:

Some of the major steps taken by the Government of India for the increment in gems and jewellery exports in terms of duties and taxes, infrastructure (SEZ, EPZ), etc., which plans to promote the gems and jewellery industry through its new foreign trade policy (1009-2014) are :-

- The number of days has been increased to 90 days for the re-import of unsold items in case of participation in an exhibition in the US.
- Tax incidence on gold jewellery has been neutralized and also the duty drawbacks on such goods are permitted.
- The limit of duty free re-import for rejected jewellery should be 2% of FOB value of exports.
- For an overseas exhibition the value of personal carriage has been increased from \$0.002 billion to \$0.005 billion. Even the personal carriage of samples for export promotion has been increased from \$0.0001 billion to \$0.001 billion
- The Government of India has allowed 100% FDI in gems and jewellery industry.
- The MoU is signed with Russian diamond mining firm ALROSA to share trade and statistical data between the two countries that will help in strengthening trade relations between the two countries.
- Initiatives by GJEPC include the India - China Gemstones Buyer - Seller Meet in Jaipur, India – USA Buyer – Seller Meet to be hosted for the first time in Chicago, The 2nd edition of the global Gem & Jewellery fair in Dubai this November.

RECENT INVESTMENTS/DEVELOPMENTS:

- In order to expand its chain of showrooms in India and Middle East, Kalyan Jewellers will infused an amount of Rs 1500 crore (US\$ 242.56 million).
- Bengaluru-based startup Bluestone.com established in 2011 owing more than 2000 designs and jewellery captivated investments of around US\$15 million from Saama Capital, Accel partners and Kalaari Capital in various series. Tata Son's Chairman Emeritus Ratan Tata has also invested in the same.
- Under the Companies (Acceptance and Deposits) Rules, 2014 the part payment by the buyer of jewellery is accepted by the board of directors of Titan Company.
- Establishment of world-class diamond bourse is being planned out by Surat that would facilitate trading and provide a common platform for all those interested.

4. FINDINGS

The gems and jewellery sector has contributed \$34993.90 million to India's exchange earnings, which states the decline in growth rate by 10.58 percent.

- Relative analysis of product category indicates that cut and polished diamonds contains the highest share in the total export i.e. around 56.13 percent and growth of 12.69 percent in period 2013-14 with its major demand especially from Belgium followed by the USA, the UK, South Africa and Israel. There is a sign of strengthen in cutting, polishing and other manufacturing activities in India as the import of rough diamonds witnessed rise of 11.98 per cent with \$16716 million.
- After cut and polished diamond, product with second largest share of 23.21 percent in total export is gold jewellery however the export of gold jewellery and medallions has registered a drastic decline of 39.50 per cent at \$11 billion in 2013-14 compared to previous year due to non availability of gold which restrict the range of export.
- During the period 2013-14, UAE is one of major exporting country of gems and jewellery with a share of 30.65 percent, followed by Hong Kong (26.72 percent share), USA, Singapore and China.
- Due to the rise in demand of silver jewellery, uplift of 10 percent in export of the sector is expected as compared to 2013-14. The silver jewellery exports had an appreciable upturn of 58.57 per cent with figures of \$1460 million.

- As stated by Department of Industrial Policy and Promotion (DIPP), during the time April 2000- September 2014 diamond and gold ornaments witnessed foreign direct investment (FDI) of US\$ 453.41 million
- There was an increment of 12.65% percent in export of cut and polished diamonds with a grant of US\$ 19635 million in FY 14. An advancement of 11.98 percent in the import of rough diamonds is also detected with US\$16,716 million

5. RECOMMENDATIONS

- It is imperative that raw-material being the basic necessity must be achievable in adequate quantity of good quality and at reasonable price. Thus complexities involved in getting import license by government need to be simplified.
- The associated agencies should organize trade fairs and exhibitions for exporters and manufacturers. It would provide a platform for natural exchange or near orientation of ideas, techniques and scientific methods and also expand the market size globally.
- To catch up with the new trends in global market product planning and development is highly commended. The government must establish design development centres to bring new futuristic designs in order to compete internationally.
- Manufacturers should give urgency on their "comparative advantage" which is generated through market structure, technology, product diversification.
- Focus must reroute towards other products of gem and jewellery like pearls, Synthetic stones, costume/fashion jewellery, non-gold jewellery and colored gem stones.
- New training institutes imparting stress on practical knowledge must be introduced by the government.
- In order to publicize the products internationally among diverse sections promotions techniques should be instigated through media network.
- To compete in international market Indian traders need to refine the quality of their gems and jewellery products and work towards providing better working condition and environment to the workforce.
- Association like (ITPO), IIFT and GJEPC should refine their operation and contribute additionally towards export promotion of gems and jewellery. The agencies should sincerely support the industry from every aspect and work towards development.

6. CONCLUSION

It is inferred that the fate of India's gems and jewellery industry is auspicious, considering that the demand for its worthy creations are expanding all over the world. The industry plays a very significant role in country's economy by tint of its employment creation, estimated value of production, foreign exchange earnings and immense potential in exports.

Accordingly substantial and synergized tactics should be adopted to procure strong presence in international market. The sector is facing various complications due to its traditional approaches thus there is urgency of acquiring modern techniques in addition to advanced tools and equipment acceptable by the workers.

This would lead to economical and high standard products approved internationally. In order to sustain primacy market awareness, trends, customer inclination, design verification and standard price of artifacts need to be tracked. Consequently it can be deduced that export of gems and jewellery could be favorable if the production and export is reasonable, competitive and meeting customer expectations.

Despite of all this it appears that the performance in the year FY 2014-15 would be reassuring due to various measures taken by the government and expanding demand of jewellery. Country's gems and jewellery market would two-fold in coming five years. The advancement will be the result of nourishing business environment and the government's investor friendly policies.

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