



Indian Gems and Jewellery Industry: Problems and Future Prospects

KEYWORDS

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ABSTRACT

The Indian gem and jewellery export industry had its modern beginning in the 1960s and after that the sector never looked back. Gems and jewellery exports accounted for 16.44 per cent of India's total exports in 2009-2010. The industry provides employment to around 3.2 to 3.4 million people directly. The sector witnessed a CAGR of 16.59 per cent of India's exports of gems and jewellery during the period 1990-91 to 2009-10. However, gems and jewellery sector is facing various problems such as dependence on imports, changing fashion, imbalance growth of products, manual way of crafting, various problems regarding labourers, financial problems, procedural hardships and unemployment etc. Even after these problems the future of Indian gems and jewellery industry is quite promising, as more and more buyers across the world are turning to India as for their referred source of the quality of gems and jewellery products.

Introduction

The gems and jewellery industry is a sparkling, traditional and glamorous industry. The industry employs millions of people globally. It is a global industry from raw materials processing and is on the path of transformation. With the evolution of human society, the several activities aligned with the industry like mining, polishing, cutting, retailing and fabrication.

India plays a very significant role in world's gems and jewellery market. The size of the Indian jewellery market is the biggest in the world, second only to the US market, followed by China, Japan and Italy. India is known to be the largest consumer of gold in the world. Indian designers have made a mark on the world jewellery scene and got recognition for design development as well. The growth in gems and jewellery exports is a record among the major Indian export sectors. India has, in present, largest artisans for making jewellery in the world. In fact, every village boasts of a family of goldsmiths, having a very long tradition of jewellery making. But there are problems ahead, the skilled man power and technology to create and produce designs for the international markets is the main challenge among others.

The present research paper analyses and highlights the various problems, future prospects and strategies of the gems and jewellery sector particularly with reference to the exports from India to the rest of the world.

Objectives and Methodology

The objectives of the paper are:

- To identify the problems that effect gems and jewellery export oriented units in India.
- To analyze the future prospects of Indian gems and jewellery exports.

The discussion done on the paper is of exploratory nature. The information was gathered from exporters, producers and artisans to identify problems being faced by them in Indian gems and jewellery industry. The information was gathered through a face to face situation from sampling frame. To find out the problems and constraints associated with the 52 exporters of gems and jewellery products. The secondary data was also used available from various authenticated sources.

Discussion and Analysis

There are many problems and difficulties in the field of production, consumption and exports of gems and jewellery industry, but most important ones of these were discussed in detail with the respondents:

Problems of the industry

1. Dependence on Imports

The raw materials for gems and jewellery has special place in this industry. In India 90 per cent of raw material is imported and its supply is limited. The raw material is processed and manufactured saleable items to sale in international market. Rough diamonds as raw material account for more than 50 per cent of imports. For example, during the year 2009-10 import of total rough diamonds was Rs. 316 billion. These rough diamonds are cut, polished and exported. India imports rough diamonds mainly from Belgium, the UK, Israel and the UAE etc. while gold jewellery is imported from Switzerland, South Africa, the UAE and Australia etc. Raw pearls and, precious and semi-precious stones are imported from Belgium, the UK and Hong Kong etc. Europe has become the largest importing destination of raw material for Indian gems and jewellery industry.

The sector being dependent almost completely on imported raw material, it is automatic that more export should lead to more import. But the fact which causes worry is that excess imported raw material, when exported gives fewer earnings in foreign exchange.

2. Competition Threats

Although India presently enjoys dominance in the world's cut and polished diamonds market, China may emerge as a major rival, if not in the near future term, certainly in the longer term. China has all the qualities of India like cheap economic labour, infrastructure and a welcoming government. Technology is another aspect where the Indian gems and jewellery industry faces a major threat from China. Also, there has been growing pressure in large diamond producing countries in Africa i.e. Namibia, Botswana and South Africa to gain further economic profits from diamond value chain, seeking investments in cutting and polishing industry. Such types of developments affect the prospects of Indian gems and jewellery industry.

In addition to this, Israel, one of the three biggest countries in diamond processing, is also emerging as a global coloured gemstones centre. Similarly, Belgium uses a scientific

and research section too for technological advancement. There is even a provision of social fund for the help of the highly skilled diamonds workers. On the other hand, Italy is our main competitor in the field of gold jewellery and studied jewellery. Thus, it shows that Indian gems and jewellery sector has less systematic and scientific approach and has competition with many countries.

3. Imbalance Growth

The gems and jewellery sector comprises a big range of products like cut and polished diamonds, Gold jewellery, non-gold jewellery, coloured gemstones, pearls, costume/fashion jewellery, rough diamonds and synthetic stones. The discriminative feature of the industry is that too much emphasis has been given on one item, i.e., diamonds. Diamonds alone account for about 85 per cent the total exports of gems and jewellery. On the other hand, very little attention is paid to utilize the export potential of other items of gems and jewellery.

4. Changing Fashion

Global marketing requires a changing fashion of gems and jewellery particularly in the context of very high prices of diamond, gold and silver. We are not having enough design development centres to provide feedback and to innovate latest designs to catch up with fashion needs of the foreign buyers. Manufacturers manufacture specific type of gems and jewellery products according to the market demand. But due to change of fashion, demand of that type of products start decreasing and eventually it finishes. This situation blocks the manufacturer's capital and the huge stock is collected. The producers give the stock to the brokers for selling. The consumer reduces the cost of production to half in this condition: the sellers don't sell their items under the cost of product. This is one of the major problems which were told by respondents.

5. Traditional Way of Crafting

Utilization of high technology, speedy and capable machinery and software has led to the gradual replacement of manual methods of polishing, manufacturing and designing of gems and jewellery. Active players in the Indian gems and jewellery sector are always on the lookout for better techniques for their units. However, utilization of such techniques is relatively low in Indian gems and jewellery industry, because of the small size and unorganized nature of majority of the players. Sometimes, the players use the same type of tools in the process of gem cutting and polishing as were used 100 or 150 years back. This traditionalism has become the big problem of this industry. Because of the application of traditional methods and machines, productivity is lacking. The replacement needs substantial amount of capital which is not easily possible for the Indian gems and jewellery sector to gain the purpose.

6. Labour

6.1 Lack of Training Facilities:

Lacs of labourers are engaged in gems and jewellery industry of India. Several stages are included in the work of processing. And, they require a lot of attention and practical knowledge. So training is must in this field. But, on the other hand, number of institutions related to gems and jewellery training in India are less. And, all these institutions give only theoretical knowledge, which is not applicable in trade.

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 from the trade due to lack of permanent work.

6.4 Unsuitable Working and Payment Conditions:

India is regularly leading in the field of gems and jewellery sector. But the labourers are still living in a hopeless situation due to unsuitable working conditions and absence of set timetable. Trader takes works according to his require-

ments. Unless, labourer has urgent work he must do work for more than twelve hours a day. And, in that situation when there is no work, the labourer is left helpless. These types of working conditions discourage and demoralize the labourers. In addition to this, traders adopt the policy of discrimination. Most of the artisans work in an unhealthy environment without proper light and workers are forced to work in artificial light and that too, in remote, dark and dingy rooms.

7. Unemployment

The Indian gems and jewellery industry is, essentially, a closed family-based sector where the labour force is not systematically organized. Most of the diamond units are unregistered and reliable data on their existence, operations, labour force used etc. is not easily available. Therefore, it is not possible to ascertain the precise number of people in industry who have been rendered jobless.

8. Financial Problems

It is the main determinant of the life of the commercial organization. In gems and jewellery industry since the most of the stones dealt with are expensive, hence the sector need more finance for investment. The major problems faced by gems and jewellery exporters in sourcing their capital needs are as under:

- High rate of interest being charged by the banks on export credit.
- Lack of dollar credit for sourcing of rough diamonds.
- Less sanction on extension of credit limits to gems and jewellery exporters.
- Existence of partiality in rating of gems and jewellery firms by credit rating agencies.
- In addition to this, formalities of the financial organization are so much that it is a highly time consuming process.

9. Procedural Hardships

Gems and jewellery trade have to import the raw material and export the manufactured commodity again, so it has to abide by the prevailing policies of the government which keep changing according to time. These changes put exporters and producers into a lot of troubles. Export and import involved a long procedure. For instance, all the exporters, who are the members of the GJEPC, are supposed to file all the information about the exports like the number of pieces exported, details of returned items, value of goods exported and purchased etc. Exporters in general are facing a number of troubles in bank transactions also. In dealing with a bank also they are supposed to submit lot of documents and fulfill many formalities.

10. Low Level of Quality and Productivity

The labour force in Indian gems and jewellery sector is less productive as compared to China, Thailand, the USA, the UK, Sri Lanka and Israel. This may be because of long hours of work, uneasy working environment and no friendly atmosphere is created. The workers, therefore, are not motivated to work, so resulting in low productivity. In addition to this, the share of India in medium and large sized diamonds is comparatively less when compared with other countries due to less emphasis on quality. Therefore, to remain competitive in the world market Indian traders will have to improve the quality of their gems and jewellery products.

11. Problem of Exchange Rate

Gems and jewellery industry is influenced by the rupee/dollar exchange rate because it is hundered per cent export-oriented industry. Any variation in the exchange rates affects the margins of the players. For example, the recent appreciation in the rupee against the dollar had made the traders of gems and jewellery less competitive in its major exports partners.

13. Anti Social Activities and Threat of Terrorism

Anti social activities are increasing especially in major cities like Delhi and Mumbai. Security has become one of the major issues for the gems and jewellery sector. A loss of packet of diamonds can cause a lot of loss of money from our pockets. In current times there are a lot of robberies happening in broad daylight. Therefore, there should be an increase in security facilities. On the other hand, an example of the insecurity in international trade is the terroristic attack on the World Trade Centre (WTC) of America in year 2001. This type of terroristic activities has been resulting in a great loss to the trade of gems and jewellery in India. Similarly, Indo-Pak relation is also another problem to affect gems and jewellery trade in India.

Future Prospects

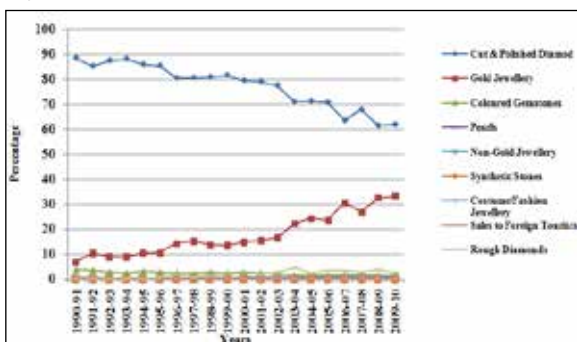
The gems and jewellery industry plays a key role in the Indian economy, and commands a high percentage of the exports from the country. Gems and jewellery exports accounted for 16.44 per cent of India's total exports in 2009-2010. And, industry is 100 per cent export-oriented industry in every respect.

Product-wise Export Potential

The product-wise analysis for gems and jewellery exports explores that Indian product-wise exports excessively concentrated on cut and polished diamonds and gold jewellery although India's item-wise exports concentration in the pearls, non-gold jewellery, synthetic stones, costume/fashion jewellery and rough diamonds is very low.

Figure-1 shows the product-wise share of Indian gems and jewellery exports. From the figure it is clear that cut and polished diamonds are demanded by importing countries in the largest quantity and accounted more than 80 per cent for the period 1990-91 to 1999-2000. But after this period it starts declining. Gold jewellery is the second largest product for gems and jewellery exports. This product is showing an increasing trend in the share of total exports of gems and jewellery during the period 1990-91 to 2009-10. It is evident from the figure that cut and polished diamonds and gold jewellery among the products, accounted for 90 per cent the export value of total exports of gems and jewellery.

Figure – 1 Percentage Shares of Gems and Jewellery Products in India's Total Gems and Jewellery Exports during the Period 1990-91 to 2009-10



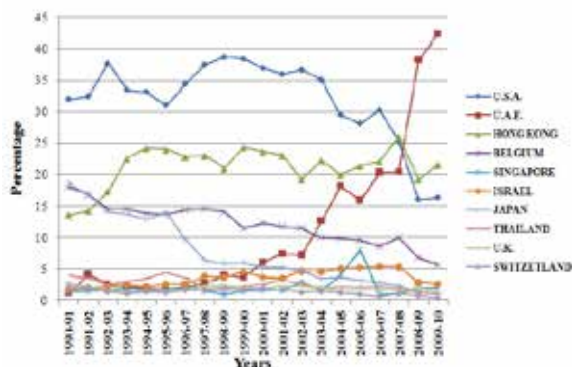
Source: Calculated on the basis of data collected from Gem and Jewellery Export Promotion Council (GJEPC), Ministry of Commerce and Industry, Government of India, New Delhi.

Major Destination-wise Export Potential

The country-wise analysis of gems and jewellery products exports demonstrate that Indian gems and jewellery is excessively concentrated on the USA, the UAE, Hong Kong, Belgium and Singapore although India's export concentration of gems and jewellery exports in the UK, Switzerland, Thailand, Japan and Israel is very low. Figure-2 depicts the ten major destinations for Indian gems and jewellery exports.

The figure indicates that the USA is one of the largest importing countries of Indian gems and jewellery products and accounted more than 30 percent for the period of 1990-91 to 2006-07, but its share starts declining from the year 2007-08. The UAE is the second largest destination for gems and jewellery exports. The share of this country in India's gems and jewellery exports showed the increasing trend during the period 1990-91 to 2009-10. It is clear from the figure that the USA, the UAE and Hong Kong, among themselves, accounted for 80 percent of the export value of total exports of gems and jewellery.

Figure – 2 Percentage Shares of Major Destination Countries in India's Total Gems and Jewellery Exports during the Period 1990-91 to 2009-10



Source: Calculated on the basis of data collected from Foreign Trade Statistics of India, Director General of Commercial, Intelligence and Statistics (DGC&S), Ministry of Commerce, Government of India, New Delhi.

Thus, the future of India gems and jewellery industry is quite promising, as more and more buyers across the world are turning to India as their referred source of the quality for gems and jewellery products.

Strategies

The following recommendations are suggested to tackle the several problems of gems and jewellery sector of India:

- Import of raw material is the basic requirement of the trade; therefore it is necessary that the rough should be available in ample quantity, of good quality and at reasonable prices.
- Product planning and development is also recommended because our exporters and manufacturers are requiring changes from time to time as per trends in the global market.
- Manufacturers should emphasize on their 'comparative advantage' that is created through market structure, technology, product diversification and others.
- The discussion stresses that it is necessary to diversify the export product portfolio, and concentrate more on other products of gem and jewellery like pearls, Synthetic stones, costume/fashion jewellery, non-gold jewellery and coloured gem stones.
- In addition, government should establish more designing institutes of jewellery patterns especially in major cities.
- Furthermore, the researcher also subscribes to the view that to popularize the use of gem and jewellery products among the various sections of society at the national and international level, proper publicity measures should be initiated through media network.
- There should be a provision to organize trade fairs and exhibitions. As the markets has become international, natural exchange or near orientation of techniques and scientific methods can be made.

Conclusion

It can be logically concluded that future of Indian gems and jewellery industry is quite promising, as more and more buyers across the world are turning to India as their referred source of the quality for gems and jewellery products. However, gems and jewellery sector is facing various problems for

its survival from machine-made goods and efforts must be made for revival and survival of traditional gems and jewellery goods. And, there are challenges ahead, the skilled manpower and technology to create and produce designs for the international markets is the main challenge among others.

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