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GEMS AND JEWELLERY: THE DARK HORSE OF INDIAN EXPORTS

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ABSTRACT

Gems & Jewellery has had an important place in the Indian society ever since civilization dawned on the Indian soil. It is a promising sector which is poised to contribute substantially to foreign exchange coffers of the country. The present study is an attempt to illustrate the export figures of Indian Gems and Jewellery as well as its major export destinations. The study also throws some light on the prospects of this sector. The information for the research enquiry has been collected from secondary sources covering a period of 12 years from 2000-01 to 2011-12. The export figures of Gems and Jewellery has been depicted in the form of tables.


JEL CODE

F14.

KEYWORDS

brand India, export destinations, foreign exchange, gems and jewellery, prospect.

INTRODUCTION

 Gems & Jewellery has had an important place in the Indian society ever since civilization dawned on the Indian soil. Traditionally, Gems and Jewellery in India served as an economic store of value for investment and trade, and at the same time as a fashion and style accessory. Gems and precious metal have a great astrological and religious significance also. From ages they have been used as an integral gift and acquisition items for special occasions such as weddings and ceremonies.

The global market for Gems and Jewellery today is over \$100 billion with jewellery manufacturing dominated by a handful of countries like Italy, China, Thailand, USA and India. India's Gems and Jewellery industry is a bright star of the economy and one of the important foundations of the country's export-led growth. It is a leading foreign exchange earner and one of the fastest growing sectors accounting for around 14% of the India's total merchandise exports during the financial year 2011-12. The industry has registered a remarkable growth over the last four decades with exports growing from \$28mn in 1966-67 when the Gems and Jewellery Export Promotion Council was established to \$42.84bn in 2011-12. India has established itself as the world's largest manufacturing sector for cut and polished diamonds, contributing nearly 60% of the world's supply in terms of value and 80% in terms of volume.

The industry enjoys significant strengths and advantages, such as, availability of raw materials, labour, domestic market and supportive government policies. The industry is also undergoing transformation, with an increasing number of MNCs establishing their presence to leverage India's potential. While the structure is characterised by small scale powered unorganised players, attractive government policies and increasing commitment of players across the value chain has led to the growth of vertically-integrated large-scale units as well.

OBJECTIVES

After considering the aforesaid matters, we now lay down the objectives of the present study:

1. To illustrate the export figures of Gems and Jewellery during the study period from 2000-01 to 2011-12.
2. To illustrate the major export destinations of Indian Gems and Jewellery.
3. To evaluate the prospects of the Gems and Jewellery sector.

METHODOLOGY

- **SOURCE OF DATA:** In order to conduct the study, information has been gathered from secondary sources, government publications and websites. Reports of various agencies like DGCI&S, The Economic Survey of India, the EXIM Policy Statement and the Export Import Manual have been considered besides browsing various related websites.
- **PERIODICITY:** The present study covers the period from 2000-01 to 2011-12 covering a time period of 12 years.

LIMITATIONS OF THE PRESENT STUDY

- The basic limitation of the present study is that it has been conducted based on secondary data.
 - Considering the short time dimension and it being a research paper only and not a doctoral thesis, a survey of primary sources could not be conducted.
- After considering the objectives, methodology and limitations of the present study, we may now have an overview of the Gems and Jewellery industry.

GEMS AND JEWELLERY – ITS COMPOSITION

As per the Export Manual of the Government of India, Gems and Jewellery includes the following items:-

- Cut & Polished Diamonds
- Rough Diamonds
- Coloured Gem Stones
- Gold Jewellery
- Non-Gold Jewellery
- Pearls

- Synthetic Stones and
- Costume Fashion Jewellery

The Gems and Jewellery is a promising sector which is poised to contribute substantially to foreign exchange coffers of the country. The country consumes around 800 tonnes of gold annually of which nearly 600 tonnes is used for jewellery making. India's gold consumption accounts for nearly 20 % of the global gold consumption. It also contributes to over 15 % of the total exports of the country and provides employment to 1.3 million people directly and indirectly. The bulk of the domestic Gems and Jewellery industry is concentrated in the unorganized sector employing around 2 million workers, serving over 1,00,000 gold jewellers and 8,000 diamond jewellers.

India is the world's largest diamond processing country with around 1 million processors treating over 57 % of the world's rough diamonds. 11 out of 12 diamonds set in jewellery are cut and polished in India. Processing is done on rough diamonds in a complete range of sizes and qualities, including stones larger than 10 carats. In terms of carat, India's contribution in this sector is about 80 % of the global market.

Although India is the global factory of cutting and polishing diamonds, the trading hubs are located in the by lanes of Antwerp and Belgium where this trade is shared by Jews and Gujaratis. The setting up of the Diamond Bourse in Mumbai which is one of the largest bourses in the world, at par with international standards, is expected to ensure India's strategic shift as a leading diamond trading market in Asia. The vision is to make India the Global Jewellery Hub and a one stop destination for diamonds, gems, gold and jewellery.

It may also be emphasized that although India is the forerunner in processing of Gems and Jewellery, but the domestic production of gold and diamonds is very negligible. As a corollary, the Indian jewellery industry has to depend entirely on imported raw materials. India produces a meager amount of around 2 tonnes of gold annually against the import of around 1000 tonnes. The quantum of gold import crossed 1000 tonnes in 2011-12. It was 1067 tonnes which was higher than 969 tonnes in 2010-11 and 850 tonnes in 2009-10. Though India is the largest consumer of gold in the world, the per capita consumption is almost 1/10th that of any matured market.

Indian jewellery pieces are mostly manufactured in certain pockets of the country like Kolkata, Mumbai, Ahmedabad, Surat, Jodhpur, Jaipur, Bangalore, Bhubaneswar and Cuttack which bears the stamp of artistic touch of the Indian goldsmith. Each of these pockets is reckoned for its distinct design and craftsmanship, e.g., the colour stone industry at Jaipur. The skills of Indian artisans are esteemed high worldwide. The exquisiteness and uniqueness of the Indian jewellery pieces enable them to maintain a steady demand in the global market.

The government, recognizing the inherent strengths of this sector in terms of its employability potential has taken major initiatives to strengthen institutional linkages to enhance the skill levels of the workers commensurating to the industry requirements. Two such centers have being set up at Domjur in West Bengal and Khambat in Gujarat. The sector is also well supported by Government policies and the banking sector, with around 50 banks providing about US\$ 3 billion credit to the Indian diamond industry. Moreover, the relentless efforts of Indian entrepreneurs and the strong financial base of the industry have given it a facelift.

The Gems & Jewellery Export Promotion Council (GJEPC) established by the Ministry of Commerce and Industry, Government of India, in 1966, being the apex institution for Gems & Jewellery in the country has been playing a significant role in the development of the industry by effectively coordinating the scattered efforts of individual exporters into a powerful engine driving the country's export led growth in association with the World Crafts Council. Efforts made by GJEPC are usually in the form of participating and holding fairs and exhibitions both at national and international levels, buyer - seller meets, etc.

After having an overview of the industry, we shall now lay down the exports of Indian Gems and Jewellery in consonance with Objective No.1.

EXPORT OF GEMS AND JEWELLERY

Gems & Jewellery has played a crucial role in beautifying the Indian women from time immemorial. It has a place of pride in defining the wealth, prosperity and accumulations of an individual. Indian customs and traditions also require the acquisition of Gems and Jewellery. Besides the ornamental value, it is contributing substantially to the country's exchequer.

The two major segments of the Indian Gems and Jewellery industry are gold and diamonds. The contribution of gold jewellery is about 80 % of the total jewellery market, with the balance comprising fabricated studded jewellery, which includes diamonds as well as gemstone studded jewellery.

A major chunk of gold jewellery manufactured in India is for domestic consumption, whereas a major portion of polished diamonds or finished diamond jewellery is exported. The hub of India's jewellery industry is Mumbai that receives majority of the country's gold and rough diamond imports. Around 90% of the diamonds set in jewellery worldwide are processed in India, mainly around Mumbai, Surat, Jaipur, Bhavnagar, Ahmedabad and Bhuj. Mumbai has a considerable number of modern, semi-automatic factories and laser-cutting units. The majority of these modern units are located in the Special Economic Zone. The Special Economic Zone in Mumbai alone accounts for about half of the country's Gems and Jewellery exports.

Table 1 furnished hereunder highlights the export figures of Gems and Jewellery vis-à-vis the total national exports of India.

TABLE 1: VALUE OF GEMS AND JEWELLERY EXPORTS DURING THE STUDY PERIOD (in million)

| YEAR | TOTAL NATIONAL EXPORTS (Rs) | EXPORT OF GEMS AND JEWELLERY(Rs.) |
|---------|-----------------------------|-----------------------------------|
| 2000-01 | 2013560 | 352730 |
| 2001-02 | 2090180 | 358630 |
| 2002-03 | 2551370 | 442320 |
| 2003-04 | 2933670 | 556840 |
| 2004-05 | 3753400 | 618340 |
| 2005-06 | 4564830 | 687530 |
| 2006-07 | 5717790 | 722950 |
| 2007-08 | 6558640 | 792280 |
| 2008-09 | 8407550 | 1285750 |
| 2009-10 | 8455340 | 1375680 |
| 2010-11 | 12157453 | 1957350 |
| 2011-12 | 13300195 | 2048230 |

Source: Self computed from the figures available from DGCI&S

The Gems and Jewellery sector has witnessed colossal growth in terms of production, consumption and exports during the study period as may be discerned from Table No.1. As is evident from Table 1, Gems and Jewellery exports has increased from Rs. 3,52,730 million in 2000-01 to Rs. 20,48,230 million in 2011-12 which implies a growth of around 4.8 times in terms of export volume. The sector has made brilliant strides, particularly in 2008-09 and 2010-11. The market of Indian Gems and Jewellery has grown significantly in the last decade, driven primarily by their value proposition, marketing innovations and contemporary designs. The gold jewellery segment registered an exponential increase of 30% in financial year 2011-2012. Its exports grew from US\$ 12695 million (INR 57747.67 crores) in 2010-2011 to US\$ 16517 million (INR 79430.26 crores) in 2011-2012. The exports of coloured gemstone also witnessed an increase of 9.10% in dollar terms with the segment recording growth from US\$ 314.20 million in 2010-2011 to US\$ 342.80 million in 2011-2012.

Having considered the exports of Gems and Jewellery, we now lay down the percentage of its exports to national total as well as the percentage change in its exports as compared to the previous year in Table 2.

TABLE 2: PERCENTAGE CHANGE IN EXPORT OF GEMS AND JEWELLERY DURING THE STUDY PERIOD

| YEAR | EXPORT OF GEMS AND JEWELLERY AS A % TO NATIONAL TOTAL | % CHANGE OVER THE PREVIOUS YEAR |
|---------|---|---------------------------------|
| 2000-01 | 17.5 | 0.3 |
| 2001-02 | 17.1 | 1.7 |
| 2002-03 | 17.3 | 23.3 |
| 2003-04 | 19.0 | 25.9 |
| 2004-05 | 16.4 | 26.1 |
| 2005-06 | 15.1 | 12.8 |
| 2006-07 | 12.6 | 5.2 |
| 2007-08 | 12.1 | 9.6 |
| 2008-09 | 15.3 | 62.3 |
| 2009-10 | 16.3 | 7.0 |
| 2010-11 | 16.1 | 42.3 |
| 2011-12 | 15.4 | 4.6 |

Source: Self computed from the figures available from DGC&S

As is apparent from the Table 2, export of Gems and Jewellery has maintained a steady rate averaging over 15% to the national exports during the study period. However, the growth of Gems and Jewellery export has not been a steady one. In 2000-01, the growth in its export has been as low as 0.3% as against 2008-09 when the growth has been the maximum (62.3%). In most of the years, however, Gems and Jewellery exports have maintained a high growth rate. But in spite of such a high growth, the export of Gems and Jewellery as a percentage to national total has remained more or less the same.

After considering the exports of Gems and Jewellery, we now undertake to highlight the major destinations of Indian Gems and Jewellery in consonance with Objective No.2.

MAJOR DESTINATIONS OF INDIAN GEMS AND JEWELLERY

The increase in purchasing power of the people and their swelling income levels have resulted in remarkable growth in the consumption of Gems and Jewellery worldwide. Gems and Jewellery offers multiple utilities - it is most often used for decorative purposes as well as an item of store of value for future security and safety. Moreover, the significant appreciation in the prices of Gems and Jewellery in the recent years makes them a very rewarding and lucrative option of investment and wealth accumulation.

Indian Gems and Jewellery are mainly exported to rich countries like USA, UK, Japan, Israel, Belgium and Switzerland, trading nations like Hong Kong and Singapore, and also newly industrialised countries like Thailand. UAE is also a significant consumer of Indian Gems and Jewellery. The major destinations of Indian Gems and Jewellery exports have been categorized in the form of the following Table No.3.

It is evident from the table that the OECD, OPEC and the developing countries are the major importers of our jewellery, consuming around 93.5% of our exports. These markets have a strong demand of our products and thus a bright potential to contribute significantly to our foreign exchange earnings. Hence, these markets should be further tapped and harnessed.

TABLE 3: MAJOR DESTINATIONS OF GEMS AND JEWELLERY EXPORT

| MAJOR DESTINATIONS | | Percentage shares | |
|--------------------|----------------------------------|-------------------|---------|
| | | 2010-11 | 2011-12 |
| I. | OECD Countries | 33.2 | 33.8 |
| | EU | 18.3 | 17.2 |
| | North America | 10.6 | 11.9 |
| | US | 10.1 | 11.3 |
| | Asia and Oceania | 2.8 | 3.0 |
| | Other OECD Countries | 1.5 | 1.6 |
| II. | OPEC | 21.3 | 19.0 |
| III. | Eastern Europe | 1.1 | 1.1 |
| IV. | Developing Countries | 38.2 | 40.7 |
| | Asia | 27.9 | 29.6 |
| | SAARC | 4.6 | 4.3 |
| | Other Asian Developing Countries | 23.3 | 25.3 |
| | People's Republic of China | 6.2 | 5.9 |
| | Africa | 6.3 | 6.7 |
| | Latin America | 4.0 | 4.4 |
| V. | Others | 6.2 | 5.4 |

Source: Self computed from the figures available from DGC&S

Having considered the export and export destinations of Gems and Jewellery, we now undertake to study the prospects of the sector in consonance with Objective No. 3 of this study.

PROSPECTS OF THE SECTOR

The jewellery business is reckoned as a big business globally as margins are high compared to diamonds and branding can bring higher premiums. There is huge potential of the Gems and Jewellery products of India in the global market as the Indian jewellery pieces offer differentiated styles at reasonably good prices. India was a late entrant to the global jewellery market and its industry grew only after establishment of the export processing zones in 1990s.

The sector is highly labour intensive as skilled manpower is required throughout the value chain for retailing, designing, jewellery manufacturing, raw material processing and mining. Therefore, the sector has been one of the biggest employers to the economically weaker sections of the society. The abundant supply of manpower in our country has ensured cost and skill advantages, thus making Indian jewellery more competitive in the global market.

The acceleration of this market is mainly driven by the growing spending power of the consumers and a shift in consumption basket of consumers from the basic products to more aspiring ones such as Gems & Jewellery. The future growth of Indian jewellery industry lies in finding new markets and in adding value and depth to the existing markets. Moreover, growth in the business can be induced by increased exports to the US and other rich markets, apart from a surge in domestic consumption.

With the onset of organised retail in the last decade, many new players have entered the market. The major national players are Tanishq, Gitanjali, Intergold and Rajesh Exports. Besides these there are many large regional players as well, such as B. C. Sen in East, P.P. Jewellers, Mehra Sons, Bhola Sons in North, TBZ, Chintamani in West and Ganjam, C. Krishniah Chetty & Sons in South. A few Indian jewellery houses have marked their global footprints, having entrenched themselves in the domestic market. The last few years has also seen the entry of international luxury jewellery brands in India such as Cartier and Tiffany's. The

increase in the organized retailing of Gems and Jewellery has increased the volume of trade – both in the domestic and international fronts. The further development of this market is very crucial for sustenance and growth of the industry.

However, the development of branded jewellery is still in its rudimentary stage. The hallmarking of jewellery introduced by the BIS to institutionalize global benchmarking in quality assurance will facilitate the building of a reliable 'Brand India'. To make the industry more viable and vibrant, it has to revamp itself to retain and improve their existing client base. Keeping in mind the increase in global prices of gold and gems, the jewellery makers have to create affordable jewellery which suits the wallet. This necessitates the creation of very light weight contemporary jewellery. There is another golden rule – the jewellery pieces should be unique in terms of designs, materials used, etc.

To make the most of the opportunities and overcome the challenges a set of recommendations have been formulated:

- To make the most of the opportunities and overcome the challenges a set of recommendations have been formulated:
- Assessment of the varied consumer needs.
- Invest in Retailing and Brands.
- Enhance product designs and quality standards.
- Co-operative use of technology and marketing to bring down cost of operation and investments.
- Government and apex bodies could act as facilitators in adjusting with the changing scenario both in the domestic and international fronts.
- Creation of Design Centers or Studios.
- Holding more exhibitions and fairs.
- Establishment of Gold Exchanges.
- Establishment of more Special Economic Zones and Export Processing Zones.
- Establishment of Special Notified Zones for import and trading of rough diamonds.
- Establishment of Special Fund by the RBI for refinance of borrowing to exporters.
- Reduction in Gold Import Duty which has been hiked to 6%.
- Imposition of simplified tax regime to boost diamond trade.
- Duty free import quota for cut and polished diamonds.

CONCLUSION

The Indian Gems and Jewellery industry is at a very significant point of its development. The last few decades have witnessed an incredible increase in exports, besides adoption of modern technologies. It has been increasingly accorded the status of a world trading hub for Gems and Jewellery. The volume of exports of the industry is both deepening and broadening. The exports of this sector play an important role in earning foreign exchange and providing employment to large numbers. With intense competition in market, maintaining the position which India has earned over the years and climbing up the ladder further will largely depend on the industry's cost efficiency and marketing efforts.

The Gems and Jewellery industry has indeed a bright prospect in the future. However, to fulfill the dream of being in the No. 1 position, the industry has to renovate itself in accordance to the changed lifestyles and changing expenditure patterns through refurbished products, outlooks and business practices. The socio-economic conditions are conducive for the same as the economy as well as the population of the country has realized the significance and potential of this sector in bringing about the much needed economic impetus.

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