



An overview of Indian gems and jewellery sector

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Abstract

Jewellery has been an integral part of the Indian culture. The industry is much fascinating being traditionally glamorous and artistically modern. Masses in India have great fascination for gems and jewellery to the extent that it plays a vital role in the Indian economy. Apart from this, the sector is one of the important contributors of the Indian economy. As a significant sector of Indian economy, Gems and Jewellery is a leading foreign exchange earner for the country. Export of gems and jewellery has been among the fastest growing sectors in India in recent years. The future for gems and jewellery sector is very promising due to its inherent capacity and favourable changes in the environment. This paper discusses on overview of the sector, development of this sector and future prospectus.

Keywords: gems and jewellery

Introduction

The Gems and Jewellery sector is the key contributor of the Indian economy. It has gained global popularity because of its talented craftsmen, its superior practices in cutting and polishing fine diamonds and its cost efficiencies. The gems and jewellery sector occupies a prominent place in the Indian economy in terms of export earnings, employment generation, and growth. Gems and Jewellery sector employs over 2.5 million workers and contributes to 6%-7% of Gross Domestic Product of the country. Moreover, India exports 95% of the world's diamonds, as per statistics from the Gems and Jewellery Export Promotion Council (GJEPC).

Besides being a crucial foreign exchange earner, India is that the largest consumer of gold. In recent years, India has accounted for almost one-fourth of the annual global demand for gold and is one of the world's largest importers of gold. Today 12 out of 14 diamonds sold in the world are either cut or polished in India. Accordingly, the fortunes of the companies in this sector are closely linked to the global demand supply dynamics and exchange rate changes.

Overall, India is expected to play a more significant role within the global Gems and Jewellery sector, with diamond miners setting up auction centres in India and with significant investment seen in the retail end of the sector by domestic players, foreign players and private equity investors.

Objectives

- To present the overview of an Indian Gems and Jewellery sector
- To study the growth of an Indian Gems and Jewellery sector
- To analyse the development of an Indian Gems and Jewellery sector

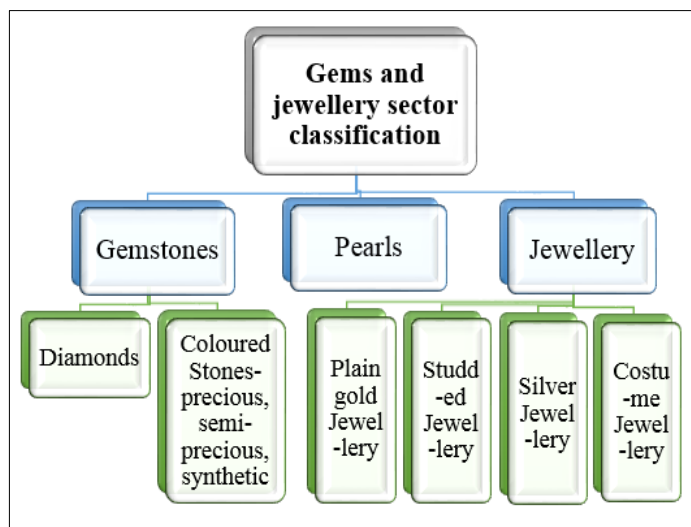
Methodology

The study is based on secondary data which is collected from thesis, books, reports, journals, periodicals, newspaper and

websites. Exploratory research design is used for conducting this study. The objective of this study is to provide brief overview of the gems and jewellery sector and analyse it.

Classification of Gems and Jewellery Sector

The two major segment of the Gems & Jewellery business in India are gold jewellery and diamond jewellery. The gems and jewellery industry is broadly divided into three main categories, which includes cut and polished diamond, gold jewellery, precious and semi-precious stones. However, the gems and jewellery sector may be further classified into the subsequent sub-sectors based on characteristics, processing techniques, preciousness in terms of price range and marketability:



(Source: www.icra.in)

Fig 1

History of Gems and Jewellery Sector

India has a glorious history of Gems and Jewellery sector. Indian Gems and Jewellery industry is much varied in styles and designs in accordance to the different regions.

Export trade in jewellery begins in the year 1914 A.D. and simultaneously begins the era of prosperity for the industry. In this year, demand for the gems from foreign countries increased. The period between 1914 and 1974 A.D., can generally be called as the "Period of Prosperity" for this industry.

Indian craftsmen were the first to unlock the secrets of diamond cutting, although the cutting did not include faceting and polishing as is common today. Most Indian diamonds were flat-cuts. They were mostly very large stones because the mines at Golconda in Andhra Pradesh were hand-dug. The Golconda mines were exhausted in the 19th Century. This marked an end to the great Indian Diamond Era and gave rise to Indian diamond processing industry in 1960s.

The Indian diamond processing industry was largely created, when the world demand and prices of industrial diamonds had declined during the 1960s, because of the advances of synthetic industrial materials. It was then discovered that some industrial diamonds could be processed using cheap labour, and the resultant polished diamonds be used for making jewellery. India rose to the occasion and with its low labour cost, it opened up new possibilities for the world diamond industry. Now diamond could be made affordable for new less affluent buyers. Thus India captured an increased proportion of this market.

Growth of Gems and Jewellery Sector

The Gems and Jewellery sector plays an important role in the Indian economy, contributing around 7 per cent of the country's GDP and 15 per cent to India's total merchandise exports. It also employs over 4.64 million workers and is expected to employ 8.23 million by 2022. Gems and Jewellery sector is one of the fastest growing sector. It is extremely export oriented and labour intensive. Moreover, India's Gems and Jewellery sector has been contributing in a big way to the country's foreign exchange earnings (FEEs). India exports 75 per cent of the world's polished diamonds, as per statistics from the Gems and Jewellery Export promotion Council (GJEPC). The government of India presently allows 100 per cent Foreign Direct Investment (FDI) in the sector through the automatic route.

Investments/Development

- Deals worth Rs 8,000 crore (US\$ 1.19 billion) were made at the Indian International Jewellery Show held in August 2018.
- Companies such as PC Jewellers, PNG Jewellers, Popley and Sons, are planning to introduce a virtual-reality (VR) experience for their customers. The customer will have to wear a VR headset, through which they can select any jewellery, see the jewellery from different angles and zoom on it to view intricate designs.

Some of the key steps in direction of development in this industry are listed under:

Increasing Investments

The cumulative Foreign Direct Investment (FDI) inflows in diamond and gold ornaments in the period April 2000 – September 2020 were US\$ 1,183.07 million, according to

Department for Promotion of Industry and Internal Trade (DPIIT).

Domestic companies are also increasingly investing in India by expanding their business.

Growing Demand

Between November and December 2020, India's gems and jewellery exports achieved pre-COVID-19 peaks on the back of growing demand in all key markets, including the US.

Attractive Opportunities

The Indian middle-class is expected to rise to 547 million by 2025, which is expected to increase the demand of gold.

India exported gems and jewellery worth US\$ 14.31 billion between April 2020 and November 2020.

Policy Support

The Government has permitted 100% FDI under the automatic route in this sector.

Mandatory hallmarking regime will make the industry be more organised.

Government Regulations and Policies

- **Feb 18, 2015:** RBI lifts ban on import of gold coins, medallions by banks & trading houses. RBI allowed banks to give gold on loan to jewellers.
- **September 15, 2015:** RBI introduces gold monetization scheme.
- **January 01, 2016:** The central government has made it a must to quote the permanent account number (PAN) for all transactions above Rs.2 lakh.
- **April 01, 2016:** The government imposes 1% of excise duty on jewellery manufacturing.
- **July 01, 2017:** GST rate of 3% applied to gold and precious metals.
- **September 09, 2017:** GST rate is decreased 3% to 0.25% on Rough industrial diamonds including unsorted rough diamonds.
- **January, 2018:** The Bureau of Indian Standards (BIS) has revised the standard on gold hallmarking in India from January 2018. The gold jewellery hallmark will now carry a BIS mark, purity in carat and fitness as well as the unit's identification and the jeweller's identification mark. The move is aimed at ensuring a quality check on gold jewellery.
- **September, 2019:** The Goods and Service Tax (GST) rate cut from 5 per cent to 1.5 per cent in job work for diamond to free up Rs.1500cr. working capital.

Achievements of gems and jewellery sector

The achievements of Gems and Jewellery Sector describe under three heads:

1. Policy Initiatives and Investments
2. Infrastructure Development
3. Skill Development

1. Policy Initiatives and Investments

- In order to provide clarity, section 10AA of the Income-tax Act has been amended to provide a sunset date of March 31, 2020 for commencement of activity of manufacture or production of any article or thing or providing services by a

unit located in a Special Economic Zone (SEZs) for availing the deduction under the section.

- The Small Scale Industry (SSI) eligibility limit has been raised from INR 12 crore to INR 15 crore
- SSI exemption limit has been raised to INR 10 crore as against INR 6 crore in a financial year.
- A separate Harmonised Systems Code (HS Code) for lab-grown diamonds has been issued. (Budget 2016-17). This would help create a fair trade environment for natural and lab-grown diamonds.
- Exporters of Imitation Jewellery segment are being incentivized under Interest Equalization Scheme and Merchandise Exports from India Scheme (MEIS).

Major Investments & FDI Inflows

- There is Equity inflow in Diamond, Gold & Ornaments from USD 95.17 million (April 2012- March 2014) to USD 338.72 million (April 2014- March 2016).
- During April 2016-December 2016), a total of USD 121.21 million has been received as FDI. Equity inflow in Diamond, Gold & Ornaments.⁴
- The cumulative foreign direct investment (FDI) inflows in diamond and gold ornaments in the period April 2000-March 2017 were USD 895.96 million, according to Department of Industrial Policy and Promotion (DIPP).

2. Infrastructure Development

Special Notified Zone

With a view to develop India into an international diamond training hub, a Special Notified Zone (SNZ) was opened at Bharat Diamond Bourse in Mumbai on December 20, 2015. The creation of SNZs has ensured the regular availability of direct supply of rough diamond in the country itself and within easy access, not only save time and effort of travel by diamond manufacturers, who move to different centres to procure rough diamonds, but has also minimized middlemen commissions and eventually costs.

Jewellery Park

A Jewellery park is being developed at Mumbai to encourage the local handmade workers and factories in Zaveri Bazar, Dahisar areas of Mumbai to relocate them in the park and develop their trade. This will help in improving living standard of the workers and small scale manufacturers and improve the work environment in which the workers currently operate.

Common Facility Centres

Setting up of 4 Common Facility Centres (CFCs) in Ahmedabad, Amreli, Visnagar and Palanpur has been approved by the Government at a cost of INR 16.15 crore. The Centres will provide access to common pool of state of the art machinery/equipment at a reasonable rate for individual small & medium diamond manufacturer, which will improve the quality, productivity and yield of the finished diamonds. CFCs will also be served as a platform for technology transfer and re-skilling of the existing artisans by providing them training on diamond grading aspect. A total of 200 small & medium diamond manufacturer will get access to the facility.

3. Skill Development

- Under the Pradhan Mantri Kaushal Vikas Yojana (PMKVY), which was launched in July 2015, 70,205 people have enrolled for training out of which 51,569 have been certified.
- Under Recognition of Prior Learning (RPL), a sub-component of PMKVY, 22,640 artisans have been certified across the country
- Gem & Jewellery Skill Council of India (GJSCI) is working towards development of 310 National Occupational standards (NOSs), which specifies the standard of performance the individual has to meet.
- In December 2016, the foundation stone for the fifth centre of Indian Institute of Gem & Jewellery (IIGJ) was laid in Varanasi, UP. The other four centres are located in Mumbai, New Delhi, Jaipur and Kolkata. IIGJ offers several courses in Jewellery Design, Manufacturing & CAD, extending from 6-months to 1-year, with emphasis on job training.
- GJSCI certified India's third Centre of Excellence at Mallapuram, Kerala on August 29, 2016. This centre in Kerala is upskilling artisans by providing access to a state of the art facility and offering training by qualified trainers.
- An exclusive gems & jewellery sector online job) was launched by GJSCI on August 4, 2016 to bridge the gap between portal (www.gjscijobs.com) employers and workers in the industry.

Future of Gems and Jewellery Sector

- In the coming years, the growth of the sector would be contributed by the development of large retailers/brands. Established brands are guiding the organized market and are opening opportunities to grow. Organized players provide variety in terms of products and designs by using penetration.
- Branding would continue to gain significance. Share of national and regional organized jewellery retailers is expected to grow.
- The industry currently employs around 4.5 million skilled and semi-skilled workers across India and is expected to provide employment opportunities to more than 8.23 million persons by 2022.
- Mr. Narendra Modi, Prime Minister of India, encouraged the diamond Industry in Surat, Gujrat to come forward in making India number one in the Gems and Jewellery Sector, by focusing on design in India in addition to the Make in India campaign.

Findings and Discussion

The Indian gems and jewellery sector is witnessing changes in consumer preferences due to adoption of western lifestyle. Consumers are demanding new and antique designs and varieties in jewellery. Major mining companies such as Rio Tinto, De Beers and Alrosa have decided to participate in the Indian Diamond Trading Centre (IDTC) which has been set up to eliminate the middlemen in diamond trade and allow Indian manufacturers to deal directly with miners as well as India Bullion and Jewellers Association (IBJA) has signed an pact with the Bombay Stock Exchange (BSE) for setting up India's first bullion exchange through a Special Purpose Vehicle (SPV), wherein IBJA and its constituents will hold 70% and BSE will hold 30% stake. These steps towards the development of this sector are quite favourable.

Conclusion

Today the Gems and Jewellery sector has become an integral part of Indian economy. This sector is recession proof and created huge employment opportunity in India, hence becoming one of the key pillar of the Indian economy. Indian Gems & Jewellery (G&J) industry has acquired prominence over the years in the country, given its dual utility of improving aesthetics as well as investment. Today, India is the largest consumer of gold as well as the largest player in diamond cutting and polishing. Favourable developments happening in demand side, supply side and systematic drivers shows that this sector has very bright future.

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