Global Competitiveness of Indian Gems & Jewellery Industry

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Global competitiveness is a comparative concept which states how one country is competitive than another country. The Indian gems & jewellery industry is highly competitive due to existence of two important features, viz. labour intensive and export orientation. It is one of the focus areas as the Government of India have started taking several initiatives starting from establishment of jewellery park, launching of Gold Monetisation Scheme, reducing the GST, issuing Gold Bond scheme to 100% FDI in this sector. The present article covers the Porter’s Diamond Model in order to analyse the global competitiveness of Indian gems and jewellery industry in the light of demand conditions, factor conditions, firm’s strategy structure and rivalry, related and supporting industries and the Government.

Key Words: Gems & Jewellery, India, Porter’s Diamond Model, SWOT Analysis.

Introduction to Gems & Jewellery (Diamond) Industry in India

The gems & jewellery industry in India has contributed around 13 to 15 per cent to the total merchandise exports of India and has provided employment to more than 4.64 million people in the country and it is anticipated to provide employment to more than 8.23 million by 2022. The gems and jewellery industry contributed 7 per cent to the GDP of India. India was the second largest consumer of gold in the world for the year 2017 as the demand of gold rises by 11 per cent every year and has brought it to 737.5 tonnes for the year 2017. The demand for gems and jewellery is also very high in India as the total import for the FY 2017-18 amounts to US$31.52 billion. Considering the growth potential of the gems & jewellery sector, the Government of India has proclaimed it as focus area for promotion of export.

The demand for gold has been continuously increasing due to increase in the disposable income of middle class in the country. The rise in middle class in India has been anticipated to 547 million by 2025 which in turn expects the rise in demand for gold. The two main features, viz. export oriented and labour intensive make the industry competitive. The major importers of the Indian jewellery are US, UAE, Singapore, Russia, China, Hong Kong and Latin America. The availability of skilled labour at low cost has made India a manufacturing hub for gems & jewellery. Presently, in order to promote export specifically in gems & jewellery industry, 100 per cent FDI through automatic route has been allowed by the Government of India and which have undertaken various initiatives to enhance the technology and skills. The maximum output of the industry in the form of uncut and polished diamonds along with fine jewellery is exported which ultimately contribute to foreign currency reserves of the country. According to Department of Industrial Policy and Promotion (DIPP), the inflow of FDI from April 2000 to June 2018 in diamond and gold jewellery was US$1.15 billion.

The government have the supporting policies which make India as the largest centre for polishing and cutting of diamonds in the world. According to insights from Gems & Jewellery Export Promotion Council (GJEPC), around 75 per cent of the world’s polished diamonds are exported by India. The current market size is around US$75 billion starting at 2017 and is relied upon to reach US$100 billion by 2025. Indian gems & jewellery industry contributes 29 per cent to the
There are more than 3,00,000 players in the gems & jewellery industry in India. The demand for jewellery has been continuously increasing due to increase in per capita income and its association with the status of an individual. Consumers have adopted a western lifestyle which has contributed to the change in the preferences of designs and new variety demanded by the consumer which pave the way for branded jewellers in the country. Investors consider these four important features to invest in gold: return, highly liquid asset, history of improved portfolio risk adjusted returns and low correlation to major classes of assets both in boom and recession.

As per insights from the World Gold Council, 90 per cent gold for the domestic demand in India is met by imports. India is the leading consumer of gold in the world. Across different social strata, gold is considered as the symbol of prosperity and status. It is considered as the basis of social security and has acquired an exclusive place in the minds of Indians. People invest in gold considering it as the safest avenue of investment as it is held by the Central Bank of India. Moreover, it can be liquidated at any point of time and at any place. People invest in gold because it is considered as an important instrument to hedge against inflation. It has been acclaimed that irrespective the level of income, the consumers are buying gold either for gifting purposes, investment or for wedding, which shows the demand for gold is inelastic to its prices.

**Initiatives by the Government of India in order to make Gems & Jewellery industry Globally Competitive include:**

1. Since January 2018, the standard on the hallmarking of gold has been revised by the Bureau of Indian Standards (BIS). The identification mark of the jeweller along with purity in carat and fitness and BIS mark will be there on the gold jewellery. This has been done in order to keep a check on quality of gold jewellery.

2. The Memorandum of Understanding (MoU) has been signed by the Gems & Jewellery Export Promotion Council (GJEPC) with the Maharashtra Industrial Development Corporation (MIDC) in order to construct the largest Jewellery Park in India in Ghansoli in Navi Mumbai on 25 acre land which will provide a space to more than 5000 jewellery units. The expected investment in order to build the largest Jewellery Park is ₹13,500 crore.

3. The Gold Monetisation Scheme has been launched by the Government in 2015 in order to mobilize gold held by organizations and households and to encourage its utilization for beneficial purposes and in the long run, to decrease the dependency of the nation on the import of gold. The trusts along with individuals deposit the gold held by them with the bank and receive interest in the form of returns on the same.

4. The Goods and Services Tax (GST) on processed diamonds, silver jewellery, gold and gold jewellery has been kept low at 3 per cent whereas only 0.25 per cent has been levied on rough diamonds.

5. In order to bring the unorganized and fragmented diamond polishing and trading firms under one roof, an International Diamond Exchange is expected to be built at Surat, Gujarat with the estimated cost of ₹2,400 crore.

6. Gold Spot Exchange has been announced by the Government of India in order to participate in the international market for determination of gold prices.

7. The Gold Bond Scheme has also been launched by the Government of India, which empowers the Reserve Bank of India (RBI) to issue Gold Bonds denominated in grams in gold. It will help to keep a track of gold import and a substitute to handle gold in physical form.

8. The think-tank of the government, NITI Aayog, has formulated a detailed policy for gold with 84 recommendations in order to change the existing gold market.

9. In order to minimize the scam in this industry, the Government is focusing on providing finance facility to the diamantaires on the basis of ethical practices of the business and transparency in trade.

**Initiatives by the Private Sector in order to make Gems & Jewellery industry Globally Competitive includes:**

1. In order to create more opportunities for the diamond players in the industry, the Indian
Commodity Exchange (ICEX) an initiative of Anil Ambani Group has for the very first time introduced futures contract for diamond in the world.

2. In order to attract customers in urban areas, exclusive showrooms are opened up by various companies in the gems & jewellery industry to expand their business.

3. Companies have also started focusing on online sales by collaborating with various e-commerce companies for selling fine jewellery online.

4. Based on certain terms and conditions, companies are giving an option of buying back the jewellery in order to promote sales.

5. EMI option has also been provided to customers who cannot pay the entire sum at one single instalment.

6. Like unorganized sector, big brands have also started focusing on customization of jewellery in order to provide maximum satisfaction to the customers.

**Government & Chance**

1. In order to promote export specifically in gems & jewellery industry, the Government of India has allowed 100 per cent FDI through automatic route

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<th>Factor Condition</th>
<th>Demand Conditions</th>
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<td>• Able to provide employment to 4.64 million people in the country.</td>
<td>• India, being the second largest consumer in the world in the year 2017 as the demand of the gold rises by 11 per cent every year and has brought it to 737.5 tonnes for the year 2017.</td>
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<td>• Indian Gems &amp; Jewellery industry is export oriented.</td>
<td>• The fine jewellery along with uncut and polished diamonds are exported which contributed to the foreign currency reserves in the country.</td>
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<td>• As skilled labour is available at low cost, so this industry is labour intensive too.</td>
<td>• The demand for gems &amp; jewellery is also very high in India as the total imports for the FY 2017-18 amounts to US$31.52 billion.</td>
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<td>• 100% FDI has been allowed by the government in order to promote exports.</td>
<td>• The change in the preferences of the millennial and Z Generation has forced the retailers redesign their marketing and sales strategies. The impact of social media, customers’ comment influences the purchase decision of the younger generation.</td>
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<th>Firm’s Strategy Structure &amp; Rivalry</th>
<th>Related &amp; Supporting Industries</th>
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<td>• Companies are moving from unorganized sector to organized retailing.</td>
<td>• The pace of digital technology industries has also been increased with the Gems &amp; Jewellery industry as it has affected all the activities in the value chain. Digital marketing has enhanced the satisfaction level among customers.</td>
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<td>• Companies are focusing on latest designs which can match with the tastes and preferences of young generation.</td>
<td>• The demand for lab grown diamonds (Chemical Vapor Deposition – CVD) as fashion jewellery has increased drastically because of huge differences in terms of prices as compared to natural diamond. It is expected that the manufacturing capacity, availability of the latest technology along with funds and intellectual property will determine the growth of lab grown diamonds in the short term.</td>
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## SWOT ANALYSIS OF GEMS & JEWELLERY INDUSTRY

### STRENGTH
1. India is the largest exporter of gems & jewellery.
2. Indian gems & jewellery industry contributes maximum to the foreign exchange reserves of the country. And placed at 2 ranked industry which contributes to foreign exchange earnings of the country.
3. Major importers of gems & jewellery from India are UAE, US and Hong Kong and other importers are Singapore, China, Russia.
4. 100 per cent FDI has been permitted by the Indian government under automatic route.
5. Indian gems & jewellery industry is capable of providing employment to more than 4.64 million people in the country.
6. Hallmarking of gold along with BIS mark has been made mandatory on the jewellery in India.
7. In order to protect the domestic manufacturers, the custom duty on the imitation jewellery has been increased from 15 to 20 per cent in the union budget 2018-19.
8. Mumbai is the hub of gems & jewellery industry in India due to existence of semi-automated, modern factories and moreover it receives major imports of gold and rough diamonds. The government has approved 22 SEZs in order to promote and develop the global competitiveness of the gems & jewellery industry.
9. India is globally competitive in terms of processing diamonds at the lowest cost. And moreover India’s competitive advantage is also due to availability of cheap labour.

### WEAKNESS
1. 90 per cent of the players in gems & jewellery industry are existing in unorganized sector.
2. Shortage of skilled labour and no formal training to the workers.
4. Young workers dislike the industry due to low wages, inadequate working conditions and low compliance with health and safety standards.
5. Frequent change in the taste and preferences of the customers.
6. Very less domestic brand and inadequate gold recycling and inefficient mining are the major reasons for low value addition in the industry.

### OPPORTUNITY
1. The gems & jewellery industry in India is expected to reach $110 billion by 2022 in terms of market share.
2. It is also anticipated that gems & jewellery industry will provide employment to more than 8.23 million by 2022.
3. The demand for gold has been continuously increasing due to increase in the disposable income of middle class in the country.
4. The demand for fashion jewellery is growing as it uses American diamond and lab grown diamonds which are much cheaper as compared to natural diamonds.

### THREAT
1. Ever growing organized retail market which is expected to reach $1 trillion by 2020.
2. The existence of lab grown diamonds (Chemical Vapor Deposition – CVD) along with natural diamonds at the same prices in the market has reduced the trust of buyers.
3. Fashion jewellery has increased drastically because of huge differences in terms of prices as compared to natural diamond.