



A Study on Import Scenario of Colored Gemstone and Diamonds in India

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Abstract

Gems and Jewellery is being consumed by Indians for ages for its aesthetic as well as investment value and also form an essential part of the tradition. We import rough diamonds, cuts and polishes them, and then exports them. Gem and jewellery sector which is a powerful engine, driving India's export-led growth. As per the latest import-export statistics released by the Gems and Jewellery Export Promotion Council (GJEPC), imports of polished diamonds declined by huge 59% to \$944.93 million by value, and by 52% to 1.966 million carats by volume in January 2012 compared to same month previous year. Last year, the import of polished diamond in January 2011 was \$2.2 billion in value and 4.7 million carats in volume. While, polished diamond export in January-2012 fell 19% year-on-year to \$1.7 billion and declined by 37% by volume at 3.32 million carats compared to the same month in previous year. On the same time, rough diamond import increased by 7% to \$1 billion in January, while the rough exports surged 45% to 153.27 million compared to the same month in previous year. The present study is an attempt to comprehend the import scenario of colored gems and diamonds in India and to observe their future import trend in India.

Introduction

A gemstone or gem (also called a precious or semi-precious stone, a fine gem, or jewel) is a piece of mineral, which, in cut and polished form, is used to make jewellery or other adornments. However certain rocks, (such as lapis lazuli) and organic materials (such as amber or jet) are not minerals, but are still used for jewelry, and are therefore often considered being gemstones as well. Most gemstones are hard, but some soft minerals are used in jewelry because of their luster or other physical properties that have aesthetic value. Rarity is another characteristic that lends value to a gemstone. Jewellery is made from variety of material. Jewellery can be carved out of stones or made from various other minerals and metals. Jewellery are also rare pieces of belongings and their value is derived from the material used like gold, silver, platinum etc and also the stones like diamond, ruby, sapphire, quartz etc. Jewellery has been in use since ages. India being a very old and rich country was also known as 'the golden bird'. Since India was ruled by many rulers of different cultures and also India was invaded by many countries, their impact can be seen on the Indian jewellery.

India is a leading player in the global gems and jewellery market. The gems and jewellery industry occupies an important position in the Indian economy. It is a leading foreign exchange earner, as well as one of the fastest growing industries in the country. The two major segments of the sector in India are gold jewellery and diamonds. Gold jewellery forms around 80 per cent of the Indian jewellery market, with the balance comprising fabricated studded jewellery that includes diamond studded as well as gemstone studded jewellery. Major portions of the rough, uncut diamonds processed in India are exported, either in the form of polished diamonds or finished diamond jewellery. The Indian gems and jewellery industry is competitive in the world market due to its low cost of production and the availability of skilled labor. In addition, the industry has set up a worldwide distribution network, of more than 3,000 offices for the promotion and marketing of Indian diamonds. The Indian diamond industry has the world's largest cutting and polishing industry, employing around 800,000 people (constituting 94 per cent of global workers) with more than 500 hi-tech laser machines. The industry is well supported by government policies and the banking sector with around 50 banks providing nearly \$3 billion of credit to the Indian diamond industry.



Review of literature

India has always excelled in the field of diamond cutting, gem cutting, polishing and processing. India's diamond tradition goes back thousands of years and is one of the oldest in the world. In fact, it was reported that diamonds were discovered by India and were the only source of diamonds until 1730s. At present, India is one of the world's leading diamond cutting and polishing centers in the world. According to USGS data, diamond production (gem and industrial) in India in the year 2007 was 55 thousand carats and has remained more or less stagnant over the years. As per United Nations Framework Classification (UNFC) system, as on 1.4.2005, India had total resources of around 4.5 million carats, of which 1.2 million carats was reserves. By grades, about 17% of resources are of gem variety, 18% are of industrial variety, while bulk of the resources (65%) is placed under unclassified category. Andhra Pradesh accounts for 40% of diamond resources, followed by Madhya Pradesh and Chhattisgarh (28%). Gujarat is one of the major states in India promoting gems and jewellery sector as one of the thrust areas for development. Gujarat having the largest human resource pool in the country in diamond cutting and polishing, accounts for 80% of the total diamonds processed in India. India imports rough diamonds and process them for value addition and exports. As a result, India is a net exporter under this category in value terms. India exported diamonds valued US\$ 14.2 billion during 2007-08, an increase of 34% over the previous year. India imported diamonds valued US \$ 7.7 billion in 2007-08; during the year 2008-09, the imports increased by 110% from US \$ 7.7 billion to US \$ 16.3 billion. In the case of diamond exports, major destinations include: Hong Kong (30.1%), UAE (22.5%), USA (17.6%), Belgium (11.4%) and Israel (5.0%). As regards diamond imports, Hong Kong (27.6%), UAE (25.6%), UK (6.4%), and USA (4.8%) were the major source countries for India.

Precious Stones

Gems or precious stones have fascinated mankind since ancient times. Precious stones are not only adorned as the items associated with royalty, they are considered as valuable gifts along with gold. The role played by precious and semiprecious stones in Indian mythology and society is well-known. In India, people, for astrological reasons, have used gems as they are considered to be influencing various planetary positions, which in turn are believed to be influencing human life cycle and human destiny. Gems are also used in preparation of some ayurvedic medicines.

Indian gemologists have identified around 84 precious and semi-precious stones, amongst them 9 stones namely: Ruby, Emerald, Pearl, Diamond, Red coral, Zircon, Blue sapphire, Yellow sapphire, and Cat's Eye, form the 'Navratnas' or nine gems. India was more an exporter of precious stones than an importer of the same, and the difference between these two being minimal. During 2007-08, the exports of precious stones were US \$ 280.8 million, an increase of 6.5% over the previous year, and in the year 2008-09, exports of precious stones witnessed a marginal decline of (-)0.1%, over the previous year. Import of precious stones has grown marginally; during the year 2008-09 imports grew by 4.6% over the previous year. The source countries for colored gemstones include Thailand (23.3%), Hong Kong (19.1%), and Zambia (13.9%). In the case of articles of precious stones other than diamonds (natural/ synthetic), the major export destinations include: USA (38.8%), Germany (23.9%), and Switzerland (9%), and the source countries for the same include: Hong Kong (27.8%), Sri Lanka (22.2%), and Germany (16.7%).

Rationale of the study

The gems and jewellery sector has been one of the fastest-growing sectors in India in the past few years. The sector has gained global popularity because of its talented craftsmen, its superior practices in cutting and polishing fine diamonds and precious stones, and its cost-efficiencies.



The gems and jewellery sector in India is engaged in sourcing, manufacturing, and processing, which involves cutting, polishing and selling precious gemstones and metals such as diamonds, other precious stones, gold, silver and platinum. The past and present statistical data will provide a platform for colored gems and jewellery from India. This study will explore the trends being undertaken in import of colored gemstones in India.

Objectives of the study:

- To analyze the present import scenario of colored gemstone in India.
- To forecast the future trend of import of colored gemstones in India.
- To analyze the present import scenario of diamonds in India.
- To forecast the future trend of import of diamonds in India.
- To do the SWOT of the Industry.

Research Methodology

The universe of research was IMPORT POTENTIAL OF COLORED GEMSTONES IN INDIA. The period of study was from 2002 to 2011 spanning 10 years and future predictions for next 5 years. The study was descriptive in nature and was based on secondary data. The data was collected from various secondary sources like books, journals, trade journals, internet sources, official websites like commerce.nic.in, etc. Descriptive statistics along with trend analysis was used for forecasting.

The Study

The study is analytical in nature and it aims to know the import potential of colored gemstones and diamonds in India.

The Sample

The sample includes the import data collected through the secondary sources for the period of last ten years (2002-2011).

The Tools

Tools for data collection:

Secondary data was used as a source of data collection. It includes internet, trade journals, official government websites and whichever applicable and usable in the study.

Tools for data analysis:

The data for the period 2002-2011 depicting the import of colored gemstones and diamonds in India were analyzed using Trend analysis method.

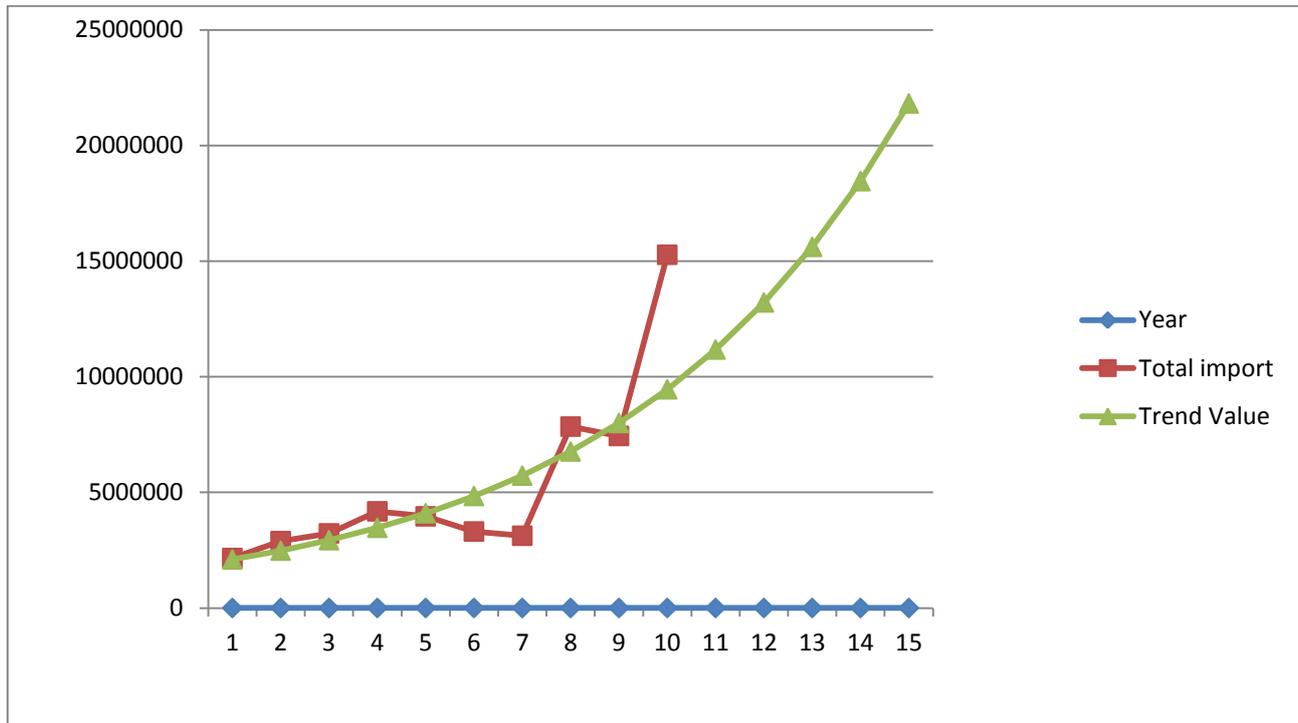


Results :

Table 1.1 Shows The Trend Values of Import Potential of Diamonds.

Year	Total Import	Trend Value
2002	2163607.0	2099770.764
2003	2893489.0	2481916.738
2004	3227394.0	2933611.041
2005	4179216.0	3467511.059
2006	3964639.0	4098577.752
2007	3309165.0	4844494.884
2008	3124589.0	5726164.564
2009	7845161.0	6768292.959
2010	7440230.0	8000082.614
2011	15274190.0	9456050.769
2012		11176996.595
2013		13211144.477
2014		15615495.353
2015		18457423.998
2016		21816567.004

Source: Ministry of commerce, government of India (www.commere.nic.in), import of diamonds



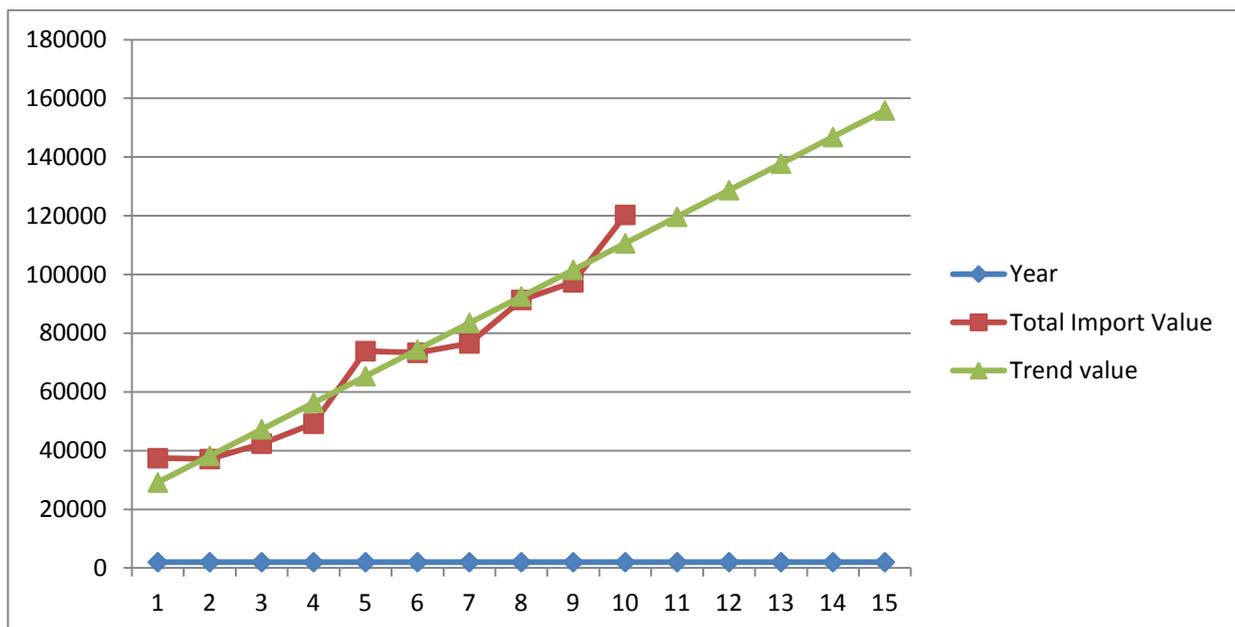
Graph 1.1: Shows total import value and trend value of import of diamonds.



Table 2: Trend Analysis of Import of Colored Gemstones

Year	Total Import Value	Trend value
2002	37426.2	29151.485
2003	37133.47	38204.127
2004	42386.93	47256.770
2005	49181.05	56309.412
2006	73897.08	65362.054
2007	73338.46	74414.697
2008	76526.76	83467.339
2009	91335.53	92519.981
2010	97344.98	101572.624
2011	120313.3	110625.266
2012	37426.2	119677.908
2013		128730.550
2014		137783.193
2015		146835.835
2016		155888.4778

Source: ministry of commerce, government of India (www.commere.nic.in), import of colored gemstones.



Graph 2: Shows total import value and trend value of import of coloured gemstones.

Discussion

Comparing the increase and decrease in value of imports of diamonds, we find that in case of diamonds there was decrease in import's value in 2006 followed by further decrease in 2007, 2008. This decrease was seen due to decrease in disposable income of people which affected the internal as well as the external demand, also the increase in gold prices and the global credit crunch added to the same. An increase of more than 50% was marked in the year 2009 due to initiatives taken by government like policies to reduce import barriers and projects to increase exports and employment generation programmes, but again a declining trend was observed in 2010 as the result of hike in gold prices. Again an increasing trend was observed in import by approx 50% in 2011. It is expected the import of diamond then to increase gradually in coming years.



In case of gemstones, an increase in import of gemstones is seen upto 2011 due relaxation in import policy by government, increase in price of gold and diamond jewellery made jewellery of semiprecious stones more attractive to common people. The import value of colored gemstones is expected to increase in coming years.

From 2009, a change was observed in Indian culture, the people became more fashion conscious, and became more aware of astrological importance of gemstones, also the consciousness of the status and the willingness to spend larger amounts became the major factor that affected the import potential of precious and semi precious gems and jewellery.

As a result, the prospects for an increase in imports of gold jewellery studded with gems and diamonds studded gold jewellery got increased considerably. So the significant changes were observed in import values of gems as the branded jewellery studded with gems gave ample beat to the family jewellers.

The Indian gems and jewellery industry has provided its mettle in international competitiveness. Simultaneously, it has also made significant socio economic contributions:

1. Employment generation with low investment: The investment required for creating employment in the diamond processing and jewellery making units is quite low. Employment generation in other industries call for heavy investments.
2. Hard currency foreign exchange earnings: The countries to which India exports gems and jewellery are among the hard currency areas. The industry contributes continuously to the country's foreign exchange reserves.
3. Pollution-free industry: diamond processing and jewellery manufacture do not pollute the environment, neither air nor water.
4. Environmental friendly industry: being an import-based industry it does not deplete natural resources and also leaves the flora and fauna intact.
5. Assists in urban decongestion: through decentralized location, the gems and jewellery industry helps in the removal of unemployment in the rural sector, prevention of migration to cities and the avoidance of slums in the urban areas.
6. Low power consumption: the gems and jewellery manufacturing processes do not aggravate the country's energy problems.
7. No burden on the country's transport infrastructure: the raw materials as also the finished products are of high-value but of low weight. They do not put any burden on the country's road, rail, sea or air transport.

SWOT ANALYSIS

Strength

- Gems and jewellery is one of the identified developmental category of products in which government is willing to invest lots of capital and energy to upgrade this industry.
- A wide pool of skilled labour are engaged in adding values in the raw gems and stones.
- The total cost of finished gems and jewellery is less because of cheap labour cost.
- Another advantage to India is nearness to Afghanistan from where low cost import of precious stones is possible.
- Import free machinery, raw materials and input are allowed.



- India can import duty free diamonds.
- State's liberal policy.
- Continuous emphasis is given on training and skill development of young craftsmen.
- Various incentives are offered to importers of jewellery manufacturers so that they expand their business in faster manner.
- Indians are specialized in traditional jewellerys and also is handicraft items, thus they import raw gems and precious stones and add value in it and export them.
- When we talk about craftsmanship, Indian labours are producing jewellerys of much smaller sizes and the quality of cutting is incomparable in the world.
- Raw gems, precious and semi precious are procured from DTC (Diamond Trading Corporation), whereby it becomes very easy for India to buy diamonds, as India have bilateral treaty with UK and for this we don't have to pay any import duty on rough diamonds.
- One of the greatest strength of India is gem and jewellery sector is the presence of 2000 marketing offices in various parts of the world.

Weakness

- Unavailability of finance.
- Financial assistance is provided but at very high rate of interest.
- Illegal flow of mechanized international jewellery.
- Due to illiteracy among the skilled cbv. raftsmen they are not able to add value to raw gems in more efficient and effective way.
- India does not have modern cutting and polishing machinery and expertise that leads to increase in overall cost of production
- Unnecessary extra documentation by Government agencies.
- Inefficient and ineffective role of staff of customs and income tax who are creating lots of hurdles.
- Lack of distinctive and innovative designs.
- Indian importers are facing big problem due to exchange rate fluctuations and inflation.

Opportunities

- High growth of global demand of gems, jewellerys and diamonds.
- Rising demand of oriental jewellery (ethnic jewellery of 21-22 carats).
- Government's liberal policies about gems and jewellery promising industrial policy.
- India's Gems and Jewellery Export Promotion Council (GJEPC) is aiming at turning India into an International Diamond Trading Centre.

Threats

- Loss of opportunity because of delaying tactics.
- International standards on quality products.
- Brand loyalty of customers may hinder a lot because India lacks in branding of gems and jewellerys.

Conclusion

Recent changes in market structure

- The Indian gem and jewellery industry is experiencing rapid changes in the last few years. A lot of emphasis is being laid on the jewellery designing and many Indian importers and



exporters are engaging foreign designers for designing their collections. Indian designers are also making a mark on the world jewellery scene and have won recognition for design development as well.

- Indian designers are learning quickly and winning awards at international competitions reinstating the ability of the Indian industry to cater to varied markets.
- More significant changes are being witnessed in the domestic jewellery market where branded jewellery is providing ample of competition to the family jewellers.
- The domestic market for branded diamond jewellery is the fastest growing segment of the gem and jewellery market. But standardization of jewellery across the country may still not work so well in India, as every region of India demands not just different designs but different raw materials as well.
- Indian jewellery industry is seen changing its trend due to strong western influence. Traditional and ethnic jewellery is becoming lighter, being object of adornment rather than an investment. In last few years, gold has lost some of its sheen as an investment option particularly in urban India, where people are exposed to alternate forms of savings and investment like equities and bonds. The proliferation of modern gadgetry like laptops, cell phones and white goods has grabbed away a part of the urban Indian's disposable income and this also affected their investments in plain gold jewellery.
- More and more consumer are experimenting with the diamond and colour stone jewellery and it is this category, which is driving the domestic market to new high of consumption. The last few years have also seen the entry of prominent international brands in the jewellery and watch segment. The advent of various foreign players in the Indian retail scene has greatly affected the design and display of the entire industry, which has become all the more creative.
- On the manufacturing scene, India is being seen as the ideal market for outsourcing jewellery. With rising costs becoming a problem in the traditional strongholds for jewellery manufacturing in the world, India will see more and more global giants coming to India for their jewellery requirements. Already there are talks about US companies like Wal-Mart and K mart coming to India for their jewellery supplies.
- With Indian government committed to reduce custom duties for the jewellery raw materials and semi-finished jewellery (mountings and findings), it is becoming all the more relevant for the foreign companies to join hands with the Indian jewellery manufacturers and thereby control the rising jewellery manufacturing costs.
- The current report on jewellery clearly brings out that while U.S. is a world leader in jewellery imports, there is no match for India in the diamond processing. While U.S. leads the world in jewellery design and manufacturing technology, the vast pool of skilled craftsmen are the biggest assets for Indian the gem and jewellery sector. Thus, India with some improvement can have cost advantage over U.S..
- It is also observed that while increased competition from emerging centres of jewellery manufacturing like Turkey ,China, Thailand, and Italy are putting pressure on the U.S. jewellery industry, India's formidable position as a diamond processing centre is being challenged by emerging cutting centres like China. To overcome future challenges and further erosion of markets to emerging markets, the two world leaders of the gem and jewellery industry should see each other more as collaborators rather than competitors.

Suggestions

- To move up in the imports of colored gemstones and diamonds , various importers and exporters should move for forward and backward integration so that the need for strategic alliances with the producers of rough gemstones and diamonds and retailers of jewellery can lead to economies of scale and higher market share. It would also be advantageous for importers of rough gemstones, diamond and jewellery



- Efforts to be taken towards development of skills and infrastructure for India to become a known importer of raw gems, jewellerys and diamonds to trade them by adding values in it.
- The industry should adopt modern technology in cutting and polishing segments that will increase its overall export value. Increase in exports directly affects the value of imports. It is so because increase in exports leads to increase in imports.
- Low entry barriers have resulted in 'Not so good players' in industry adversely affecting the image of overall Indian importers. So, need for 'certification' is required.
- Need to encourage corporatization in this sector as proprietary concerns/ partnership model of governance limits the expansion this field.
- Need to expand the gemstone sector by increasing its import value, it is because of the reason that labor is cheaply and abundantly available.
- The sector of jewellery is still being ignored presently. Thus, there is a need to move towards exports by increasing imports of raw colored gemstones, diamonds and jewellerys.
- India needs to integrate throughout the jewellery supply chain from mining of raw material to the retailing of end products.
- India can go for joint ventures for importing raw gemstones and diamonds to manufacture with leading suppliers of the world such as U.S., Italy etc.
- Government should change policies according to convenience of importers.
- Procedural hazels should be minimized to enable importers to apply entire men, time and energy on business.

Implications of the study

The study of import potential of colored gemstones and diamonds of India is advantageous to many parties:

- **Importer**
This project is helpful to importers who mainly deals in imports of raw gemstones and diamonds in order to take advantage of potential markets available in international business.
- **Students of International Business**
This project is helpful to study different potential markets in present global market. It is helpful to students in getting deep knowledge about international market.
- **Researchers**
The study of import potential of colored gemstones and diamonds of india helps researchers who are interested in this field and provides various information related to future aspects by considering various trend analysis.
- **Government**
This research study has generated useful suggestions for government. If suggestions generated on basis of study are implemented by government it will help to promote import and export of gems and jewellery sector.

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