

## A Study on Problems Faced By Gem and Jewellery Exports with Special Reference to Coimbatore City

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### Abstract:

**T**he 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. According to the data released by the World Gold Council (WGC), India is the largest consumer of gold. The gems and jewellery sector in India is highly export-oriented, labour-intensive and a major contributor to the foreign exchange earnings; therefore, the Indian government has declared the sector as a thrust area for export promotion. The Gems & Jewellery sector occupies a prominent place in the Indian economy in terms of its export earnings, employment generation, and growth. The sector is well-supported by government policies and the banking sector. The sector is well-supported by government policies and the banking sector. The gems and jewellery sector is highly-dependent on imports for its raw materials and among these raw materials, rough diamonds account for more than 50% of imports. The Indian gems and jewellery sector is one of the foremost examples of export-led growth. Gems & Jewellery exports have been accounting for over 15% of total exports. This paper emphasis on challenges faced by gem and jewellery exports.

**Key words:** Gem & Jewellery, Export, Export-Oriented,

### I. INTRODUCTION OF THE STUDY

The gems and jewellery sector is a major foreign exchange earner. Due to its importance in India's foreign trade, the government has taken many initiatives to boost the sector. The government, for instance, has declared this sector as a thrust area for exports. During the global economic meltdown especially the government has dealt out many initiatives for the badly-affected sector. This chapter focuses on the various policies and measures that were taken by the government for the gems and jewellery sector.

Exporters in the export processing zones were allowed to sell 10% of their produce in the domestic market. In 1993, gold and diamond mining were opened up for private investors and foreign investors were allowed to own half of the equity in mining ventures. In 1997, overseas banks and bullion suppliers were also allowed to import gold into India. These measures led to the entry of foreign players such as De Beers, Tiffany and Cartier into the Indian market.

### II. PROFILE OF THE STUDY

#### Gems & jewellery sector

Diamonds, gems and Jewellery have been a part of the Indian civilization since its recorded history, the significance of the gems and Jewellery industry in the Indian economic scenario is a development of the last three or four decades. In 1966-67, the export turnover of the Gems & Jewellery industry was just Rs.220 m representing a 3 per cent of total merchandise exports. However, it has now grown to become one of the leading export oriented industries in India recording an export turnover of around Rs.875 during 2006-07 and contributing 16 per cent of total exports, making it as significant foreign exchange earner for the country.

#### Classification of Gems & Jewellery Sector

1. Polished Diamonds:
2. Gem Stones:
3. Gold and Jewellery:
4. Synthetic Stones:

#### Gems and Jewellery Background

- The Indian domestic diamond jewellery market was estimated at around Rs. 176 billion during 2010.
- China ranks sixth in the world in terms of diamond jewellery retail value, ahead of India. which are in seventh place. India ranks third in terms of diamond value, while China holds the seventh position.
- Indian diamond jewellery industry is the third largest consumer of polished diamonds after USA and Japan.

### III. OBJECTIVES OF THE STUDY

- To know about what are the challenges faced by gem and jewellery exporters in Coimbatore city.
- To analyze the future of the market of gem and jewellery export in Coimbatore city.

#### Significance of the Study

- Most of the problem faced by Gem and Jewellery Exporter is insufficient of raw materials.
- They need to import more raw materials from other countries and they have to pay more duty for imports of raw materials.
- There is no proper price rate for gold & jewels, each and every day there will be a change in prices.

### IV. REVIEW OF THE LITERATURE

#### Gold may get costlier due to RBI measures to boost exports

Gold jewellery may become expensive as the Reserve Bank of India (RBI) on Monday made it mandatory to export 20% of imported gold in the form of ornaments—a move that can potentially shrink the amount of yellow metal available for domestic consumers. Besides, bullion traders would be prompted to sell gold to overseas buyers even at a lower price to meet the latest export rules. This, in turn, may force them to raise domestic jewellery prices to cover for the losses.

#### Lower Gold imports, export competitiveness on Rupee to keep Indian economy healthier

Sharp fall in gold imports due to restrictions imposed by the Reserve Bank of India and Finance Ministry, weak capital and consumption goods imports, due to subdued domestic demand will help lower trade deficit in 2013-14, according to CRISIL Research.

#### Forecast

India and China together are predicted to emerge as a market equivalent to that of the US by 2015, according to the KPMG report on the global gems and jewellery industry – Vision 2015: Transformation for Growth. The industry can see capital infusion of around \$ 10 billion, according to experts. Mining is at the heart of the gem and jewellery industry as the activity is the only natural source of raw material for the industry. The Geological Survey of India has stated that India has a great potential for diamond deposits.

### V. RESEARCH METHODOLOGY

The appropriate research design formulated is detailed below exploratory research: this kind of research has the primary objective of development of insights into the problem. I studied the main area where the problem lies and also tries to evaluate some appropriate courses of action. The research methodology for the present study has been adopted to reflect these realities and help reach the logical conclusion in an objective and scientific manner. The present study contemplated an exploratory research.

Primary data: Primary data will be collected through a questionnaire raised among the Gems and Jewellery traders and manufacturers in Coimbatore.

Sample Size- 50

Sample Area- Coimbatore city

Sample Unit: Gems And Jewellery Traders & the Manufacturers operating in Coimbatore, particular the owners, managers & other officials of gold exports.

#### Tools Used:

- Percentage
- Chi square.

The chi-square test measures the discrepancy between the observed cell counts and what you would expect if the rows and columns were unrelated. The degree of influence of the following independent variables pertaining to the respondents with the respect to the factors influencing marketing decisions and market conditions is:

$$(\chi^2) = \sum \frac{(O - E)^2}{E}$$

With Degree of Freedom (D.F.) = (C-1)\* (R-1)

Where, O = Observed frequency, E = Expected frequency, C = Number of columns,

R = Number of rows

#### Secondary data:

Secondary data that is already available and published, it could be internal and external source of data. This originates outside the field of study like books, journals, newspapers and the internet.

### VI. FINDINGS

#### Percentage

- Majority of the respondents are from 10-15 years' experience in their company with 44%
- Most of the respondents are using both air and water transport to export their products.

- Majority of the respondents are told challenges takes place because of more competitive in the domestic market and lack of insitutional support 44%
- Most of the respondents are told the condition of future market for gold wills be so bad 40%.
- 28% of the respondents are told they need all supports like sufficient of raw-materials, more incentives and financial support for business growth.

**Chi-square test.**

TABLE 1

**Ho:** There is no significant relationship between the year of experience and challenges  
**Ha:** There is a significant relationship between the year of experience and challenges

Table showing comparison of year of experience and challenges

YEAR OF EXPERIENCE AND CHALLENGES	BETTER QUALITY PRODUCT FROM FOREIGN COUNTRIES	COMPETITIVE IN THE DOMESTIC MARKET	LACK OF INSTITUTIONAL SUPPORT	OTHERS	TOTAL
0-5 YEARS	3	5	1	0	9
5-10 YEARS	4	3	2	0	9
10-15 YEARS	1	4	2	0	7
MORE THAN 15 YEARS	0	0	0	0	0
	8	12	5	0	25

$\sum O=25, \sum E=25, \sum (O-E)=1.6, \sum (O-E)^2=5.4608, \sum (O-E)^2/E=2.2439$

Degree of freedom = (4-1)\*(4-1) = 9

Level of significance=0.5

Table value=16.919

Calculated value= 2.2439

**Interpretation:**

The calculated value is less than the table value. Hence, the hypothesis is rejected.

TABLE 2

**Ho:** There is no significant difference between the potential importers and export product from India.  
**Ha:** There is a significant difference between the potential importers and export product from India.

Table showing potential importers and export product from india

POTENTIAL IMPORTERS AND EXPORT PRODUCT FROM INDIA	DIAMOND STUDDED JEWELLERY	NECKLACE	BANGLES	RINGS AND OTHER PRODUCT	TOTAL
USA	1	1	0	0	2
UK	1	1	2	1	5
GERMANY	4	5	0	2	11
CHINA	2	1	1	3	7
EUROPE	8	8	3	6	25

$\sum O=25, \sum E=25, \sum (O-E)=11.68, \sum (O-E)^2=13.92, \sum (O-E)^2/E=12.532$

Degree of freedom = (4-1)\*(4-1) = 9

Level of significance=0.5

Table value=16.919

Calculated value=12.532

**Interpretation:**

The calculated value is less than the table value. Hence, the hypothesis is rejected.

**VII. SUGGESTIONS**

- Respondents are suggested to maximize the utilization of national carriers for both sea and air transport.
- Majority of the respondents are told they are getting sufficient raw-materials for manufacturing gold ornaments, so the government should take proper step to solve such problems.

- Most of the exporters are facing more competition with China, Philippines and Thailand; our Indian exporters are lagging in many ways in exporting of gold.
- Majority of the respondents are facing problems in domestic market where more competitions and lack of insitutional support is taking place. So the government and other financial institutions should support them to develop their business concern.
- Small scale exporters of gem and jewellery exports are facing many problems in their day to day life. Governments should provide some benefits to develop the sector.
- Increase in import duty for gold, exporters is expecting to reduce import duties for gold.

#### **VIII. CONCLUSION**

From the above study I concluded that, majority of the exporters are facing many problems in their day to day activities and they are not satisfied with the business which they doing. These types of problems arises because of insufficient of raw-materials, changes in price of raw gold and other ornaments and less support from Government, Gem and Jewellery Export Promotion Council and other financial institutions. Their main drawback is low-productivity of gold ornaments and they can't able to face the competition in domestic market and in international market. Most of the exporters are expecting there will be some changes will takes place in the performance of gem and jewellery exports in India. Government and Gem and Jewellery Export Promotion Council should help them in the development of Gem and Jewellery Export in India.

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