

CHALLENGES FACED BY EPIP OF GEMS AND JEWELLERY INDUSTRY WITH SPECIAL REFERENCE TO JAIPUR

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Abstract

Jewellery has been crucial part of the Indian culture and civilization since ancient history. The Gems and Jewellery industry occupies an important position in the Indian economy and it accounted for around 13.03% of the country's total merchandise exports in 2012-13. The Gems and Jewellery sector contributes around 6 to 7 per cent of the country's GDP. This industry provides direct employment to approximately 2.5 million people. However, gems and jewellery sector is facing various problems such as dependence on imports, changing fashion, lack of demand, promotion etc. In this study, an attempt has been made to describe the marketing and human resource problems faced by EPIP. In spite of all these problems, the future of Jaipur gems and jewellery industry is quite promising, only when the government of India takes proper initiatives towards resolving these issues.

Key words: Jewellery, Exports, EPIP, Problems.

Introduction

Jewellery has been crucial part of the Indian culture and civilization since ancient history. The word jewellery comes from the word jewel, which was derived from the old French "jouel" approximately in the 13th century. Jewellery is one of the oldest forms of body adornment. India is one of the first countries to introduce diamonds to the world. The two major segments of the gems and jewellery business in India are gold and diamond jewellery. India is the largest consumer of gold. Indian gems and jewellery sector is leading foreign exchange earner and employment provider.¹The Gems and Jewellery sector contributes around 6 to 7 per cent of the country's GDP. This industry provides direct employment to approximately 2.5 million people with the potential to generate employment of 0.7 to 1.5 million over the next five years.²The gems and jewellery accounted for around 13.03% of the country's total merchandise exports estimated US\$ 300274.12 million in 2012-2013.³Jaipur is India's second important gems and jewellery exporting centre and the first for sales to foreign tourists. Government established SEZ's and EPIP (Export promotion industrial park) to boost the gems and jewellery industry and to build competency among the local players to survive in the competitive international market. EPIP is the largest Export-Park in Northern India having some unique features. RIICO has developed this EPIP to assist export oriented projects. (With export obligation of at least 33% of the total turnover).

GEOGRAPHIC SPREAD OF GEMS AND JEWELLERY INDUSTRY IN INDIA

The jewellery crafting and designing is confined to only a few regions in the country and every region specializes in separate craftsmanship skills. The main clusters in Indian gems and jewellery industry are following:



Source: A report of KPMG for IBEF⁴

Figure I : Major Production centres in India

- Jaipur is a key centre for polishing precious and semi-precious gemstones.
- Delhi is famous for silver jewellery and articles.
- Surat is an important diamond- processing centre, which exports around 80 per- cent of the production and has more than 3,500 diamond processing units.
- Calcutta is famous for its lightweight plain gold jewellery.
- Mumbai is the centre for machine made jewellery. The city is also India's largest wholesale market in terms of volume.
- Hyderabad is the centre for precious and semi-precious studded jewellery.
- Trichur in Kerala is another source for lightweight gold jewellery and diamond cutting.
- Nellore is a source for handmade jewellery that has been supplying the Chennai market for quite a few decades.
- Belgaum in Karnataka and Nellore together, specialise in studded jewellery using synthetic or imitation stones.
- Coimbatore in Tamil Nadu specialises in casting jewellery.⁵

Objectives of the study

1. To illustrate the export pattern of gems and jewellery from Jaipur during the study period from 2008-2013.
2. To identify the problems in EPIP (Export Promotion Industrial Park) Jaipur, related to marketing and human resource.

Scope of the study

- The researcher has studied marketing problems and human resource problems which are being faced by exporters of Gems and Jewellery in EPIP Jaipur.
- This research paper covers only registered exporters of Gems and Jewellery in EPIP Jaipur.

Exports of gems and jewellery from India:

The record of exports of gems and jewellery from India during the year 2008-2009 was US\$ 24894 million, in year 2009-2010 was US\$ 29442 million, during year 2010-2011 was US\$ 43048 million, in year 2012-2013 amounted to US\$ 39137 million as compared to US\$ 43211.19 million achieved in 2011-2012; indicating a decrease of 9.43%³

From India gems and jewellery are mainly exported to USA, UAE UK, Japan, Israel, Belgium and Switzerland, trading nations like Hong Kong and Singapore, and also newly industrialised countries like Thailand.

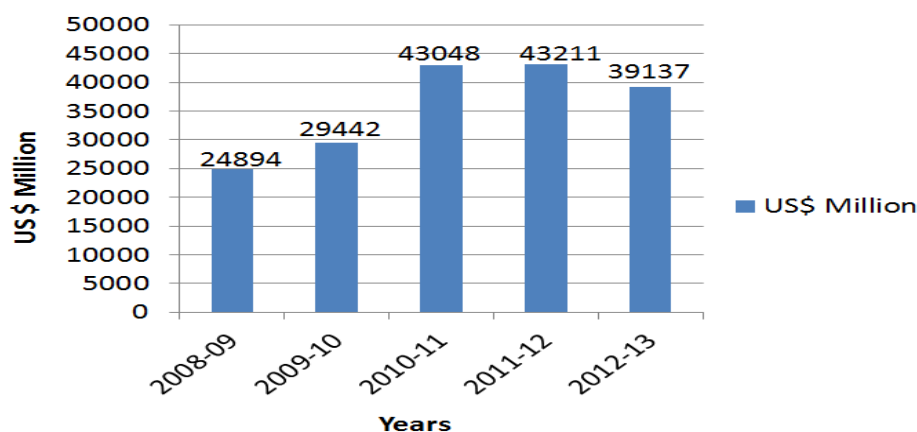


Figure II: Export of Gems and Jewellery from India

In India, Rajasthan is famous for its traditional jewellery from many years having one of the world's largest centres for hand cutting of gems and the biggest production centre of coloured precious and semi-precious stones. In Rajasthan, Jaipur has always been the centre of attraction. Jaipur has been identified as a major centre of gold jewellery export. It is known for its exclusive designs and splendid jewellery.

Exports of Gems and Jewellery from Jaipur:

The exports of gems and jewellery from Rajasthan during the year 2008-2009 was Rs.20700 million, in year 2009-2010 it was Rs.25150 million, during year 2010-2011 it was Rs.26890 million, in year 2011-2012 it amounted to Rs.31980 million, and in 2012-2013 was Rs.32120 million indicating an increase of 0.44%⁶

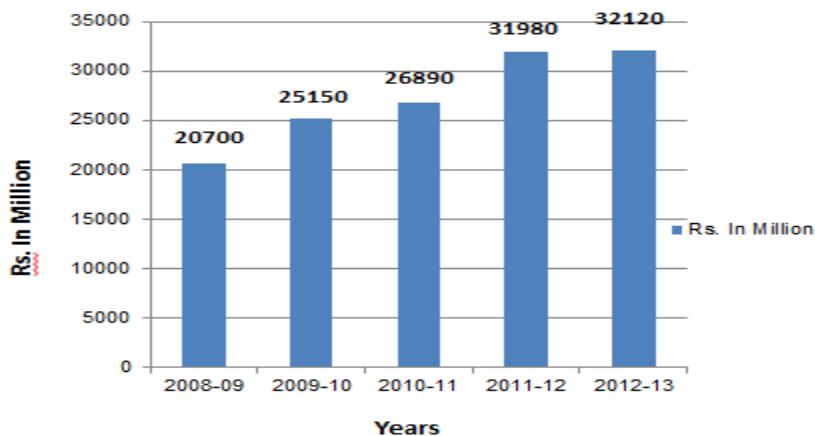


Figure III: Export of Gems and Jewellery from Jaipur

From Jaipur gems and jewellery are mainly exported to USA, UAE, Singapore, Australia, Canada Hong Kong, Thailand etc.

Methodology:

In this study, descriptive research is used as a method to identify problems of exporters of EPIP. This research is confined to EPIP, Jaipur. Study is based on Simple random sampling. Total population size is 135 units. However, due to time constraint, sample size restricted to 101 respondents only. In order to conduct the study, information has been gathered from Primary and secondary sources. For the collection of data, questionnaire was designed keeping in mind the objectives of the research. The information was gathered from exporters to identify problems being faced by them in EPIP, Jaipur. Personal interviews were also conducted. The secondary data used was available from various authenticated sources like journals, government periodicals etc.

Data Analysis and Interpretation

Problems :

With the overall analysis of EPIP it may be concluded that the sector is facing various problems. This sector is almost based on import of raw materials. As the quantity of raw material is increasing, the exports are showing positive trends and have been achieving new heights every year. The problems may also be different for different business organisations or for different size of business organisation. In this research paper marketing and human resource problems that are being faced by EPIP have been identified and highlighted.

Marketing Problems: Marketing problems are related with commercial processes involved in promotion, selling and distribution of products or services. The activities, such as advertising, packaging, and selling, involved in transferring goods from the producer to the consumer.

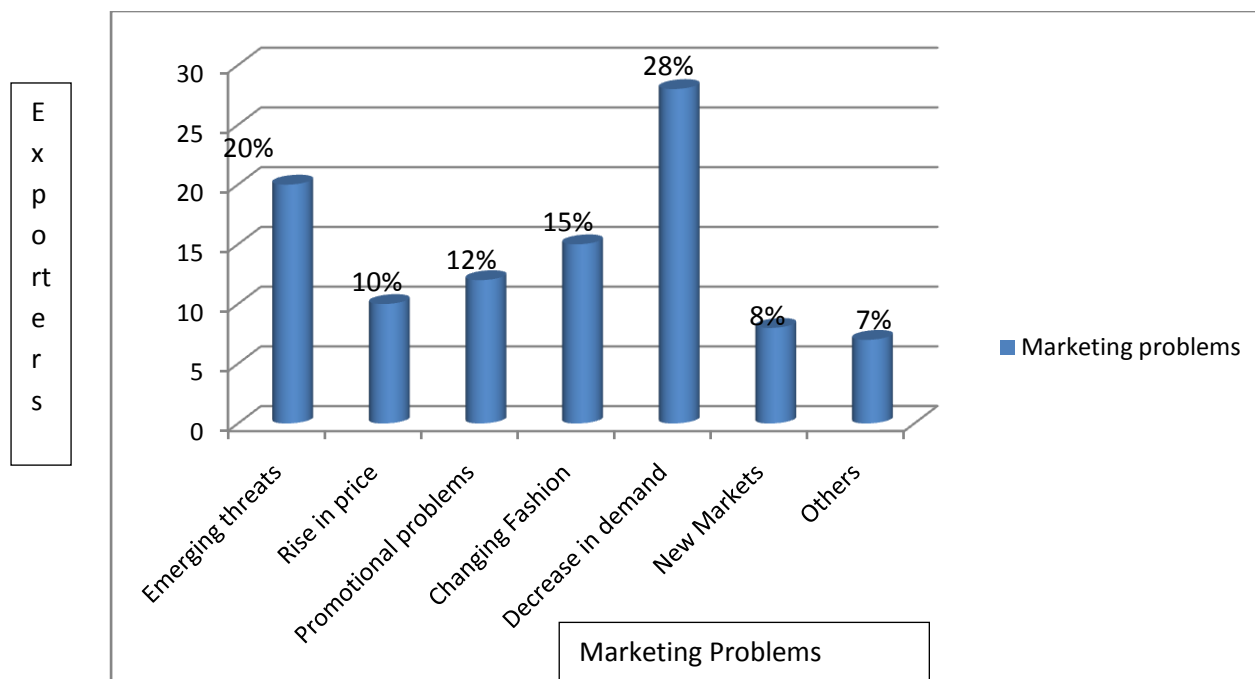


Figure IV: Marketing problems

a) Emerging threats from other countries- Jaipur presently enjoys dominance in the world's cut and polished diamonds market, China may emerge as a major rival. China has cheap economic labour, infrastructure and a welcoming government. Technology is another aspect where Jaipur gems and jewellery industry faces a major threat from China. Also, there has been growing pressure in large diamond producing countries in Africa i.e. Namibia, Botswana and South Africa to gain further economic profits from diamond value chain, seeking investments in cutting and polishing industry. Such types of developments affect the prospects of Jaipur gems and jewellery industry. On the other hand, Italy is our main competitor in the field of gold jewellery and studded jewellery. This one is major problem which mentioned by 20 % exporters (respondents) of EPIP.

b) Rise in price-The recent market uncertainty triggered by worries of a double dip recession in the US and anxieties over sovereign debt contagion in Europe have pushed gold prices to new heights as it is regarded as a safe haven instrument. The yellow metal's spot price in the domestic market hit all-time high of `28,540 per 10 gram on August 22, 2011. In the international market price breached \$1,900 (per ounce) level. This spiralling gold price has negatively affected the gems and jewellery industry by squeezing the margins of players. Overseas customers are holding back their orders and exporters are unable to settle their prices due to this. There is no criterion of the pricing determination in this trade. On the other hand, gold prices have doubled over the past 6 years. The sizzling gold price is one of the reasons for drop in gems and jewellery sales. 10 % exporters (respondents) of EPIP are facing this problem.

(c) Promotion problems- Inadequate promotion is vital for export marketing. Exporters do not give much importance to promotion. Exporters are not professional in advertising and sales promotion. Apart from advertising and sales promotion, small exporters don't get a chance to participate in trade fairs and exhibitions. 12% exporters are facing this problem.

d) Changing Fashion- Global marketing requires a changing fashion of gems and jewellery particularly in the context of very high prices of diamond, gold and silver. Exporters are not having enough design development centres to provide feedback and to innovate novel designs to catch up with fashion needs of the foreign buyers. Manufacturers manufacture specific type

of gems and jewellery products according to the market demand. But due to change of fashion, demand of that type of products start decreasing and eventually it finishes. This is one of the problems which was mentioned by 15 % exporters (respondents) of EPIP.

(e) Decrease in demand- The demand for fashion jewellery has been increasing rapidly for the past few years because prices of gold rising. Demand for imitation jewellery has surged by over 85 percent in the last one year on account of sharp rise in gold and silver prices. Utilization of high technology, speedy and capable machinery and software has led to the gradual replacement of handmade jewellery. People now prefer different kind of jewellery and that too at a low price. Because of variety of jewellery (bedded jewellery, leather jewellery, steel jewellery), demand of gold and diamond jewellery is decreasing. This is one of the major problem discussed by 28% exporters(respondents) of EPIP.

(f) New markets-From EPIP Jewellery is mainly exported to US, UK, Hong Kong, Bangkok, Singapore, Canada etc.Exporters are trying to find new markets such as Middle East, Russia, China and various initiatives are being taken to promote the industry and to increase the exports it is necessary to find new markets. 8% of exporters mention this issue.

(g) Other problems- 7% respondents facing other problems. Like- Procurement of stones, research and development etc.

Human Resource Problems: Problems related with the workforce of an organisation come under Human resource problems.

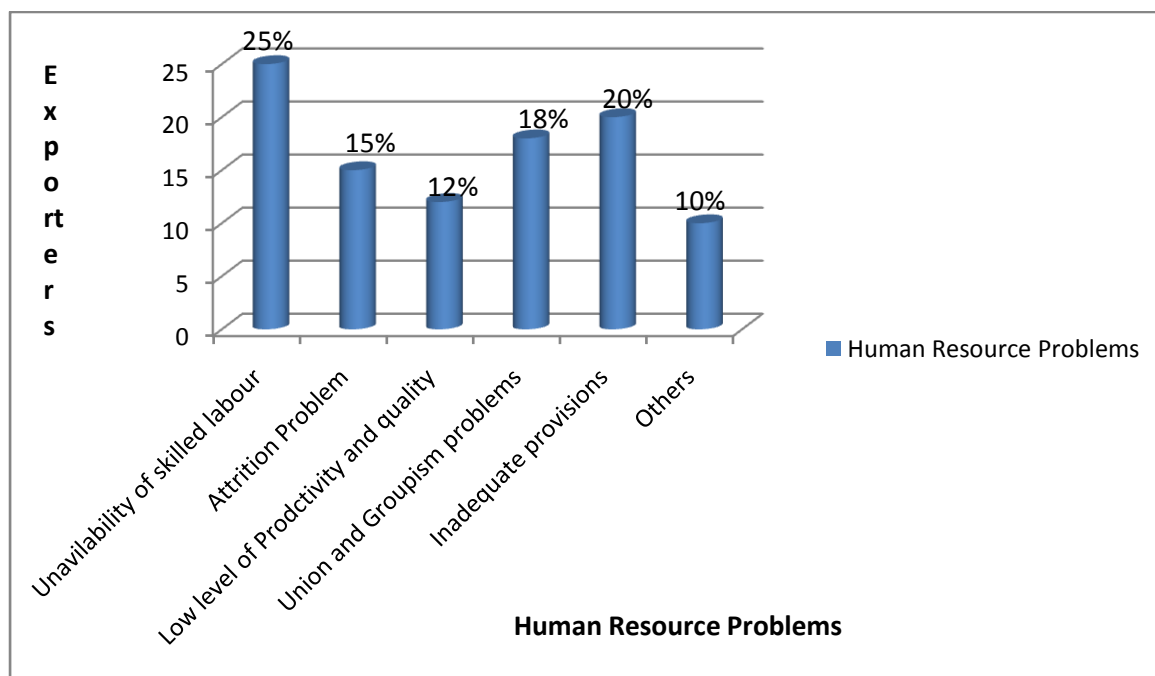


Figure V: Human resource problems

(a) Unavailability of skilled labour- As the sector is highly labour-intensive, its dependency on craftsmanship is very high. For instance, the cutting and polishing of diamonds and coloured gems, which are soft stones, requires immense care on the part of the labourer. Although some

activities in the cutting and polishing of gems are mechanised, the sector still requires skilled craftsmen to achieve precision in diamond cutting. In Jaipur, people are not that much skilled. Professionals are very less and this is the major problem faced by 25% exporters (respondents).

(b) Attrition problem- The attrition rate plays a significant role in an organisation. High attrition rate of employees in an organisation is a serious concern because the employees are the human capital. Due to high attrition rate, cost of the organisation increases due to training, development, socialisation and other costs on the employees. Retention of efficient employees is one of the most critical challenges faced by EPIP Jaipur. It is difficult to find a suitable replacement with required experience and ability, to fill up the vacancies created on account of exit of key employees. 15% respondents are facing this problem.

(c) Low level of productivity and quality- Exporters do not get the desired results from workers. Employees are ineffective in producing products or in delivering services. 12% respondents are facing this problem. Production, the creation of goods and services, is inadequate to meet customer demand as Employees fail to achieve targeted revenues and they are thus sometimes responsible for business decline.

(d) Union and groupsim problems- Existence of groupsim in the main problem. 18% respondents are facing this problem. Labour always makes groups and demand for high salary. They are not ready to work more what they are assigned in case of urgent consignment. Conflicts between employees and employer affects the profitability of organisation.

(e) Inadequate provision provided by Government- Training is important within any organization as it directly related to productivity. There are very less institute to provide training in all aspects of manufacturing and design. It is necessary that government take initiatives for the development of workers and promotes the Jaipur gems and jewellery industry in the international market. Belgium uses a scientific and research section too for technological advancement. There is even a provision of social fund for the help of the highly skilled diamond workers. 20% respondents are facing this problem.

(f) Others- 10% exporters are facing other human resource problems.

The following recommendations are suggested

1. EPIP Exporters depend upon the Import of raw material. Raw material is the basic requirement for the manufacturing of Gems and Jewellery. Therefore it is necessary that the raw material should be available in sufficient quantity, of good quality and at reasonable prices.
2. Product planning and development is also suggested because our exporters and manufacturers require changes from time to time as per fashions in the global market.
3. It is necessary to diversify the export product portfolio, and concentrate more on other products of gem and jewellery like pearls, Synthetic stones, costume/fashion jewellery, non-gold jewellery and coloured gem stones to increase the export.
4. There should be a provision to organize the trade fairs and exhibitions. As the markets have become international, natural exchange or near orientation of techniques and scientific methods can be used.
5. Potential Assessment and Strengthening Consumer Understanding- The consumers have evolved rapidly and the traditional ways of segmentation & usage have failed to provide any meaningful results to the brands and retailers. There is dire need for the industry to first understand the various segments of the consumers and their purchasing

and shopping needs. The proposition, design and brands can be created around these needs.

6. Enhance Product Design & Manufacturing Quality Standards- A National Institute of Jewellery Design & Development would go a long way in providing the platform for development of a pipeline of innovative high quality designers that can serve the industry as a whole. The Institute can play a role similar to NIFT – which ultimately proved to be a fertile ground that gave birth to a number of marquee design brands in the country in Apparel and improved product design and manufacturing quality. Indian Institute of Gems & Jewellery (IIGJ) is a step in the right direction but the scale and reach needs to be even greater to meet the huge demand. Government support is needed in this area.

Conclusion:

The Jaipur Gems and Jewellery sector has been playing very important role in the Indian economy. The increase in purchasing power of people has resulted growth in the consumption of Gems and Jewellery worldwide. It can be logically concluded that future of Jaipur gems and jewellery industry is quite favourable, as more and more buyers across the world are turning to Jaipur as their referred source of the quality for gems and jewellery products. However, gems and jewellery sector is facing various problems for its survival from machine-made goods and efforts must be made for restoration and existence of traditional gems and jewellery goods. And, there are challenges ahead, the skilled man power and technology to create and produce designs for the international markets is the main challenge among others.

Jaipur has been increasingly given the status of a world trading hub for Gems and Jewellery. To build a Brand Jaipur, the industry has to renovate itself in agreement to the changed lifestyles and changing expenditure patterns through refurbished products, outlooks and business practices. The socio-economic conditions are favourable 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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