

A study on role of diamonds in the Indian economy

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Abstract: India is considered as the birth place of diamonds. Some of the world famous diamonds are of Indian origin. The country no more mines diamonds but has established itself as a hub for diamond cutting and polishing due to twin advantage of low cost and excellent craftsmanship. Indian diamond jewellery is emerging an important segment of gems and jewellery as it is popular in national as well as international markets. Now there is a shift in buying habits from plain gold jewellery to diamond studded gold or platinum jewellery. There are changes in marketing of diamond jewellery as well. Majority of the jewellery is promoted online due to wide spread and ease of communication. Diamond trading is also allowed on the Indian commodity exchange through derivative contracts. World rough diamond resources are depleting and grown diamonds are getting accepted next to real diamonds. The grown diamonds can assure supply of rough diamonds to the Indian diamond cutting and polishing industry, generate ample employment and can earn foreign exchange for the country. The government should support the upcoming grown diamond industry.

Key Words: Diamonds, Jewellery, Cutting, Polishing, Export.

1. INTRODUCITON:

Gems and jewellery is an important component of India's foreign trade. It is one of the important emerging and fastest growing sectors in the Indian economy. It is a truly global industry as it covers wide range of activities like procurement of raw material from countries like Africa, Australia, Canada and Russia; transforming it into products with the skills available in China, India, Italy, Turkey for markets like America, Europe, Far East, Middle East and Asia. Diamonds, jewellery and precious and semi-precious stones are the different segments of the Indian gems and jewellery industry. Diamond is an important constituent of Indian import as well as export of gems and jewellery. India has emerged as the world leader for diamond cutting and polishing. Indians love diamond jewellery since ages. Now Indian diamond jewellery is in high demand in international market also. Both the segments, diamonds as well as diamond jewellery provide livelihood to millions and contribute to export earnings. So both are significant for the Indian economy.

2. LITERATURE REVIEW:

Juhi Kapoor in her article mentioned that diamonds are girl's best friends. They serve as status symbol. Diamond prices are determined by its colour, cut, clarity and carat. Traditionally diamonds were sold by trusted family jewellers but now many brands are available in the market. She also mentioned that demand for diamonds is driven more by consumption than investment.

Kakadia Govindbhai, the chairman and founder of Sheetal group in his interview by diamond world mentioned that India is on its way to become diamond super power due to availability of manpower and world class machines. The country can polish higher, medium and smaller diamonds. Many international chain stores prefer to buy their jewellery stock from India as the country tries to understand the requirements of the international customers.

Taneja Rashmi in her analysis of India's foreign trade found that India's merchandise export has grown manifold after trade reforms in 1991. The composition of the foreign trade also changed. Gems and jewellery sector is one of the major contributors to exports of the country and continued to maintain its share and ranking since 1996.

Mehta Vasant in his article stated that more than one million people are employed in Indian diamond sector. India is world's largest diamond manufacturing centre for cut and polished diamonds. Eleven out of every twelve diamonds set in jewellery worldwide are processed in India. The availability of low cost labour is one of the main factors behind India's success.

3. NEED FOR THE STUDY:

India is the birth place for some world renowned diamonds like Kohinoor, the Great Mogul, Florentine, Nassak, Regent, Nizam etc. The diamond mining era came to end in India in the 19th century but the country has gained expertise in the field of diamond cutting and polishing due to unbeatable hard work of the Indian diamantaires. The Indian diamond cutting and polishing industry is an extraordinary example of skyrocketed performance with almost zero bases in the early 1970s to the present world leading position. India has achieved supreme know-how about diamonds and the perfect balance between men and machines. The country has the ability to polish higher,

medium and lower quality diamonds which is rare to find. Indian diamond jewellery attracts local as well as global customers. The diamond industry is socially, economically and culturally significant for the society.

4. DISCUSSION:

4.1. Contribution of diamonds to the total export of gems and jewellery:

Diamonds are not currently mined in India and hence the country has to depend on import of rough diamonds. India dominates the world in the field of diamond cutting and polishing due to availability of the best craftsmanship at the lowest cost. India imports rough as well as cut and polished diamonds, rough diamonds being the major component of diamond imports accounting for 70-80% of the total diamond imports. India is the world's largest diamond cutting and polishing centre, with 60% share in terms of value, 82% in terms of carats, and 5% in terms of number of pieces. The country exports cut and polished diamonds as well as diamond studded jewellery. Over the years, Indian diamonds traders have developed world wide network for procurement of rough diamonds and marketing of polished diamonds and jewellery. The cost of cutting and polishing is US\$10 per carat in India against US\$17 in China and US\$40 to US\$60 in South Africa. The least cost of cutting and polishing is the main factor responsible for flow of rough diamonds to the country. Australia, UK, Israel, UAE and Russia are main suppliers of rough diamonds. Alrosa, De Beers, Rio Tinto, Dominion Diamonds and Petro Diamonds are the top producers of rough diamond in the world accounting for 67% of the rough diamond production.

Table 1 - Contribution of diamonds to the total exports of gems and jewellery

| + | Diamond Exports | Gems & Jewellery Exports | Diamond as % of Total Exports of Gems & Jewellery |
|---------|---------------------------|--------------------------|---|
| | (Value US \$ in millions) | | |
| 2008-09 | 15,932 | 25,378 | 63% |
| 2009-10 | 20,118 | 30,672 | 66% |
| 2010-11 | 31,711 | 45,585 | 70% |
| 2011-12 | 28,444 | 46,849 | 61% |
| 2012-13 | 23,186 | 43,630 | 53% |
| 2013-14 | 26,083 | 40,237 | 65% |
| 2014-15 | 24,579 | 40,028 | 61% |
| 2015-16 | 21,838 | 39,287 | 56% |
| 2016-17 | 24,284 | 43,199 | 56% |
| 2017-18 | 25,160 | 41,021 | 61% |

*Source: Gems & Jewellery Export Promotion Council

4.2. Contribution of diamonds to total export from the country:

The Indian gems and jewellery sector is one of the fastest growing sectors. It also adds to the foreign exchange earnings of the country. For an emerging economy, exports are very crucial. Diamond exports contribute around 8% to total Indian exports since a decade. India has created its footprints in the field of diamond cutting and polishing. Now diamond jewellery is an emerging field having promising potential. India's diamond manufacturing strengths, designing expertise, lower production costs and understanding of the requirements of consumers in the different markets provided the edge in the diamond jewellery industry as compared to other countries. India manufactures jewellery for international brands like Tiffany, Cartier, Harry Winston, Chopard and JC Penny. It also supplies jewellery to Walmart. UAE, US, Russia, Singapore, Hong Kong, Latin America and China are the biggest importers of Indian jewellery.

Table 2 - Contribution of diamonds to total exports from the country

| Year | Diamond Exports | Total Exports from India | Diamond as % of Total Exports from India |
|---------|---------------------------|--------------------------|--|
| | (Value US \$ in millions) | | |
| 2008-09 | 15,932 | 1,85,295 | 9% |
| 2009-10 | 20,118 | 1,78,751 | 11% |
| 2010-11 | 31,711 | 2,49,816 | 13% |
| 2011-12 | 28,444 | 3,05,964 | 9% |
| 2012-13 | 23,186 | 3,00,401 | 7% |
| 2013-14 | 26,083 | 3,14,405 | 8% |
| 2014-15 | 24,579 | 3,10,338 | 8% |

| | | | |
|---------|--------|----------|----|
| 2015-16 | 21,838 | 2,62,290 | 8% |
| 2016-17 | 24,284 | 2,75,852 | 9% |
| 2017-18 | 25,160 | 3,03,526 | 8% |

*Source: Gems & Jewellery Export Promotion Council and Directorate General of Foreign Trade

4.3. Employment in the diamond industry:

Diamond industry provides massive employment. Right from import of rough diamonds till export of cut and polished diamonds and diamond studded jewellery, millions of people are engaged in different fields like owners and workers of cutting and polishing units, wholesalers, traders, brokers, retailers, jewellery designers and jewellery fabricators. There is a very wide devoted and trained workforce in the manufacturing sector. The cutter and polishers' wages range from \$80 to \$100 per week depending upon factors like experience, skill in various types of cuts etc. Some craftsmen are highly skilled and can cut/polish stones weighing a fraction of a carat into polished gem. The diamond processing industry is mainly located in Gujarat. Surat, Ahmedabad, and Bhavnagar are the main diamond centres in Gujarat. Surat is the global centre for diamond cutting and polishing attracting 90% of rough diamonds mined across the world with more than 4,000 diamond manufacturing units. There are more than 100 listed companies in Surat only. Though all qualities of diamonds are polished in India, Surat enjoys a complete monopoly on cutting and polishing of smaller and cheaper diamonds. Diamond processing units have also been set up in Mumbai (Maharashtra), Trissur (Kerala), Coimbatore (Tamil Nadu) and Goa. Mumbai is the main trading centre for diamond exports. The industry employs about 1 million people which are expected to reach 1.5 million by 2022. But obvious the Rs 80,000 crore industry also generates indirect employment in the tertiary sector.

4.4. Environment friendly:

Environmental pollution and conservation of resources are the main challenges faced by the world today. Industries are largely held responsible for this but the diamond industry is an exception. The diamond industry does not put any pressure on energy resources as the power consumption requirement is very low compared to other industries. The industry does not add to the problem of environmental degradation as it does not create air, water or noise pollution. The input as well as output of the industry is of high value but low weight. So it does not create logistic problem also.

4.5. Recent trends in the diamond industry:

➤ **E- Commerce:** Online shopping of diamond jewellery has still not got momentum in India. Online jewellery stores like Caratlane, Forevermark, Orra, Bluestone try to attract customers with offers like cash on delivery, 30 day return policy and try at home. Almost all big brands like Tanishq, Kalyan Jewellers, P C Jewellers have e-stores for online shopping. It is easy to communicate with the target customers frequently due to online access. Since more and more users, especially ladies are using social media, the online platform can be a boon for the diamond jewellery industry. E-commerce is getting popular for marketing of loose diamonds as well. Diamond traders are able to market their products at global level. It is used for both B2B and B2C marketing and promotions.

➤ **Diamond Future Contracts:** The Indian commodity exchange launched the world's first diamond derivative contracts in August 2017. This facilitated trading in diamonds like other commodities traded on the exchange. It started with 1 carat/100 cents futures contracts and had subsequently added the 50 cents and 30 cents contracts. Futures trading performs two important functions of price discovery and price risk management. It gives an advance indication of the likely future price which helps diamond exporters to quote a realistic price and secure an export contract in a competitive market. For rough diamond trades also the traders can hedge against currency appreciation and the demand-supply position. It also provides an investment avenue to investors who desire to invest in diamonds. Investing directly in diamonds is not everyone's cup of tea as it requires proper knowledge about quality and price trends of diamonds. People who are not in touch with the diamond industry find it difficult to invest in diamonds but they can easily trade through derivative contracts as they are standardised investment instruments.

➤ **Synthetic Diamonds:** Global diamond production in 2016 was 128 million carats and was 127 million carats in 2015. Global diamond production has remained between 125 million carat and 130 million carat levels since 2009 after dropping from a peak of 163 million carat levels in 2008. The supply of rough mined diamond is about to decline from the current level of 125 million carats to only 14 million carats in 2050, whereas demand for rough diamonds will rise to 292 million carats. So India will have to look for the best supplementary source of rough diamonds which is 'Lab Grown Diamonds' having identical physical, chemical and optical properties to mined diamonds. They are also known as CVD (Chemical Vapour Deposition) Diamonds. They are real diamonds purely made up of carbon under lab process. Lab created diamonds are 30% - 40% cheaper than real diamonds, however there is no market yet for re-sale of the lab created diamonds. China is the largest manufacturer of lab created diamonds followed by US. The world diamond industry started accepting lab-grown diamonds. De Beers Group launched a lab-grown fashion

jewellery retailing with the name 'Light box Jewellery'. This can be an important source of rough diamonds for the Indian cutting and polishing industry. Grown diamonds can also be beneficial to the economy in terms of generating employment and earning foreign exchange. It can be considered as a 'Rising Industry' for India.

5. FINDINGS & SUGGESTIONS:

- India has a pool of intelligent minds but we are always technology follower. Innovation is the key to success of any industry and diamond industry cannot be an exception. Research should be promoted to cope up with international levels in all areas like designing, production and marketing.
- The diamond trading business is mainly considered as business of less educated people. There are many inspiring success stories of uneducated or less educated diamond businessmen who established their business at world level but it is not still attractive for the educated crowd. Educated people prefer other career option as there is no job security in the field. Various career options are available in the diamond industry like assorter, polishers, manual designer, CADD designer, gem certifier, product development and marketing etc. Many institutes like Indian Institute of Gems & Jewellery, Indian Diamond Institute, the Gemological Institute of India etc. offer various courses to build career in diamond industry. Efforts are required to motivate the educated youth to pursue career in diamond industry.
- India has world's largest diamond cutting and polishing industry but it totally depends on imports for its raw material requirement. So any adverse change at national or international level affects it. There is constant threat of the business being transferred to competing countries. So the government should support the rough diamond producers to set up their units in India to ensure availability of rough diamonds to the billion dollars diamond cutting and polishing industry.
- The government have to consider grown diamonds as an opportunity and implement measures to support and promote it. Government should try to derive various benefits of upcoming grown diamonds industry in terms of generating distinct pool of employment, enhancing exports and propelling overall economic growth.

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