

# Gems and Jewellery Sector in India: Opportunities and Challenges

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**Abstract:** This article is about explaining the Gems & Jewellery sector in India, their opportunities and challenges. It discusses how the sector has enriched with growth in past years and how government policies and consumer purchasing pattern have affected it. This article gives an idea to any individual what gems and jewellery sector is revolving around. Though this study highlights the point that Indian Jewellery Businesses, both retail & wholesale sectors are struggling in meeting the current demand & supply in the market. There are different challenges faced by them, such as meeting the customer's expectation for new designs in short intervals which appears impossible for some small scale jewellers since they have very low sales and hence face difficulties in maintaining new stock. The weak point noticed here was very few were confident about making an investment in jewellery because of fluctuating gold prices and lack of new designs with the local retailers. We have seen how millennials prefer imitation jewellery over precious jewellery for reasons like cost saving, opportunity to purchase new designs regularly, low risk of theft/lost, does not get affected due to price fluctuations of commodity (Gold/Silver). Whereas the older generation prefer to invest in precious jewellery & commodity because they consider it to be a safest investment which also adds value to life. Towards the end of 2019 it was reported that this world has around 1,97,576 tons of gold above the ground (mined). It is scattered in different forms like Jewellery: 92,947 tones (47%), Private Investment: 42,619 tones (21.6%), Official Holdings: 33,919 tones (21.6%), Other: 28,090 tones (14.2%). Below ground reserves are estimated to be around 54,000 tons as of now. As per the data we can see that gold is majorly used for minting coins and manufacturing jewellery.

**Keywords:** Commodity, Gems and Jewellery, Govt. policies, Investor wealth, Indian market.

## 1. Introduction

India, often mentioned as "Sone Ki Chidiya" (golden bird), is legendary for its gold jewellery with its intricate and exquisite traditional art-forms. India contributes over 29% to the global jewellery and gems consumption, making it one of the world's largest contributors. India's Jewellery and Gems sector is home to quite 3,10,000 players. Its market size is estimated to increase by US\$ 103.06 billion by 2023.

During the primary 9 months of 2019, India's demand for gold reached 496.11 tonnes. India exported gems & jewellery worth US\$ 25.11 billion in FY20P (till January 2020, Provisional). At the same time, Exports of cut & polished diamonds stood at US\$ 16.31 billion, which contributed about 73.46% of total gems & jewellery exports in monetary terms.

Gems and Jewellery industry in India plays an important role within the Indian Economy because it majorly contributes to the entire Foreign reserves of the country. Recently in Budget 2019, Government of India hiked import duty on gold to 12.5% from 10% (GST excluded) due to which Gold rates touched new all-time highs in Indian Commodity Market. This highly impacted the purchasing power/ capacity of the people.

Occasions in India also drive demand for jewellery in India. Dhanteras (A day during Diwali Festival) is taken into account one among the foremost auspicious days to get Gold/ Silver Bars and Jewellery. As per the info revealed by the Confederation of All India Traders (CAIT), approximately 6000 kg of gold i.e. worth Rs. 2,500 crores were estimated to possess been sold on one day of Dhanteras (25th October) in 2019. Every state in India has different Gem and Jewellery consumption patterns and various forces impact this utilization.

## 2. Opportunities and Challenges

### A. Opportunities

1. With the rising of demands for gems and jewellery, many small jewellery houses have emerged in past years. These business houses constitute of Real Diamond, Gold & Imitation Jewellery.
2. If we see the price graph of gold and silver prices, it has constantly shown an upward trend from many years. This results in gaining not only consumers but also confidence for investing in the commodity.
3. Jewellery is a product which a consumer purchases after getting satisfied with purity and quality. Consumers still believe that proper design & quality can only be felt through touch and feel of the product. Hence, this consumer belief has made customers visit local shops for their purchases and not preferring e-commerce platforms.

### B. Challenges

1. In an economic crash, it is the worst hit sector. As it is a choice/ desire to purchase jewellery and not a necessity, purchasing jewellery & gems would be the last choice of people in a weak or struggling economy.
2. Now-a-days, spending patterns of youth are majorly

consist of travelling and vacation expenses. It is observed that people spending their savings in various sectors, which in last decade was totally opposite. People want to economize with the aim of buying jewellery.

3. India is very much dependent on imports as there is less domestic production of jewellery. Also the availability of recycle gold within the domestic market is extremely low because Indian's believe storing physical gold into lockers.
4. The Jewellery Industry faces difficulties in opting for financial facilities because of limited options. This is one among the main reason of falling of small scale jewellery businesses.
5. Lack of technologic development has forced this industry to not grow on a desired rate. Also there are high rate of casualties reported by the karigars (artisans) while manufacturing jewellery, leading to shortage of them.
6. E-commerce evolution have substantially affected the local jewellery stores as some people choose to purchase jewellery within the comfort of their house and due to busy schedules.
7. In current situation due to corona virus pandemic, two major festivals i.e. Gudi Padwa and Akshaya Tritiya which are well-known for the potential jewellery sales have experienced ZERO sales because of nationwide lockdown. This resulted in huge loss to the country within the economic front and also to the companies whose prime sales were hooked in to these festivals.

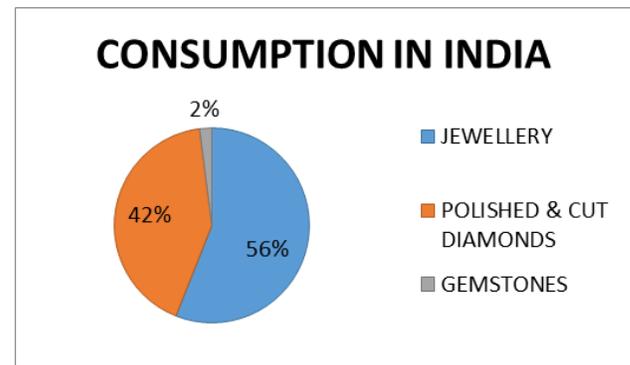


Fig. 1. Consumption in India

### 3. Conclusion

Today the India Gems and Jewellery industry is facing a crucial downfall because of various government restrictions and ongoing economical condition caused due to corona virus pandemic. It has been noticed that jewellery businesses has been most ignored sector by the government, in context to reforms, trade reliefs, govt. policies, providing aid during the worldwide pandemic. It is expected that due to sudden fall in economy and not so good GDP analysis, many retailers and wholesalers (around 20% - 30%) are expected to shut their business and migrate to some other business. Many small businesses have already lost this fight to large jewellery businesses and MNC's. Their last hope is relief from the side of government in terms of changing policy.

### References

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