

Role of Government to boost exports of Gems & Jewellery from India

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ABSTRACT---India's present foreign exchange earnings from Gems and jewellery sector is in the range of US\$ 36 to 43 billion per annum during last five year from 2015 to 2020. Being huge potential of its growth, the government has set an annual target of USD 75 billion in jewellery exports by the year 2025. (Source – GJEPC India, Ministry of Commerce & Industry). In order to achieve this daunting goal, the government has declared Gems and Jewellery sectors a focus area for export promotion and under taken various measures to boost its exports by way of liberalisation in export policy, extending financial support, technology up gradation and skill development .This research paper attempts to analyse the various strategies adopted by the government to achieve the set target. For this research, primary and secondary data have been collected and analysed. The findings of the study would be very useful for the growth of exports.

KEYWORD: G&J, Jewellery Exports, Government

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I. Introduction:

The Gems and Jewellery Sector is considered as one of the most significant export oriented industries in India. It contributes 7% of GDP and 12 to 17 % of merchandise exports of the nation and provides employment of around 5 million people. The Gems and Jewellery industry has come up a long way from its small beginnings during 1950s to emerged now as the world's largest processing centre of cut and polished diamonds. At present, India processes over 65 per cent of the world's polished diamonds in value terms, 85 per cent by volume and 92 out of 100 number of pieces are cut and polished in India. The Indian jewellery market is growing at a Compound Annual Growth Rate (CAGR) of 11.26%, during 2016-2021. The government has played a very significant role for its better CAGR such as introduction of ease of doing business policy, liberalization import/export policy etc. This sector being highly export oriented and labour intensive one, it contributes significantly in foreign exchange earnings and generation of employment.

II. Literature Review

Review of literature is the most simple and fruitful basis of formulating the research problems precisely.

Keeping in view the objective of study on the above subject, the following literature have been reviewed.

- I. The research work of Ms. Richa Devgun, Dr. J.S Bhatnagar under title " A Review of Government Policies and Schemes of Gems and Jewellery Industry" suggests that though G&J sector significantly contributes 17% of the India's exports, this sector is highly unorganised and it is completely dominated by family jewellers. It is suggested by them that to fasten up with the new trends in global market proper product planning and development is highly recommended.
- II. Dr. K. CHITRA CHELLAM in her research under title "JEWELLERY INDUSTRY IN INDIA" explained that G&J industry is one of the fastest growing industries, however, it is largely unorganized. Branded jewellery is a new concept and it is gaining importance. Policy changes implemented by various governments over the past decade and even before have resulted in an overall development of the jewellery industry in India.

III. Dr. RESHMI A.RAJAN in her research under title “An Investigative Study on Export Performance of Gems and Jewellery in India” explained that India’s G&J sector is one of the biggest market in the world As per the study found that, there is a continuous increase in the export of G&J in India. Therefore, the Government must take necessary measures to retain as well as sustain the export performance of G&J in near future for enriching the export volume of India.

IV. Objective of the Study

1. Analysis of various government policies pertaining to export/import.
2. Trade facilitation for exports of Gems and Jewellery by government.
3. Critical analysis of rules and regulation affecting the growth of exports.
4. Suggestive measures to the government for further growth of the exports of gems and jewellery.

V. HYPOTHESIS:

1. There is ample scope and high potential of growth of exports of gems and jewellery.
2. Simplification of custom procedures for smooth functioning of export/import.
3. To focus on e-commerce trading.

V. Research Methodology

The study is conducted to analyze the role of government to facilitate the export trade of gems and jewellery .In order to conduct a thorough research, primary and secondary data have been collected from different sources.

- (i) For primary data- Interviews, Extensive survey, Attending conferences and Exhibitions, Structured Questionnaires to manufacturers, exporters and other trade related person.
- (ii) For secondary data-Publications of government EXIM Policy, Customs and GST tariffs, Circulars, Notifications, GJEPC Journals, Various Periodicals, Magazines, Websites

For primary data the Questionnaires have been provided to the following persons

1.	CEOs/Directors of the company	10
2.	Managers/Executives of the company of various stakeholders	40
3.	Government officials dealing with export/import of gems and jewellery	10
4.	Jewellery retailers	20
5.	Potential buyers	20
	Total	100

VI. The initiatives undertaken by the Government are as follows:

- a. Permission granted by government for 100 per cent Foreign Direct Investment (FDI) in the sector through automatic route.
- b. Revision of the standard on gold hallmarking in India from January 2018 to include a BIS mark, purity in carat and fitness, as well as the unit’s identification and the jeweller’s identification mark on gold jewellery by Bureau of Indian Standard (BIS).
- c. Recently, the GST rate has been reduced from 18 per cent to 5 per cent (*5 per cent without Input Tax Credit (ITC)) for services by way of job work in relation to gems and jewellery, leather goods, textiles etc.

- d. The cumulative FDI inflow in G&J for the period April 2019–March 2020 arrived at US\$ 1.17 billion.
- e. The Government levied three per cent GST on gold jewellery and processed diamonds and 0.25 per cent on rough diamonds. Gems and Jewellery exporters are now exempted from paying three per cent integrated GST (IGST).
- f. Cut in corporate tax rate to 25 per cent for micro, small and medium enterprises (MSMEs) having annual turnover up to Rs 50 crore (US\$ 7.5 million) will benefit many gems and jewellery exporters from MSME category.
- g. The Government has notified a new limit about transactions in gold and other precious metals and stones to authorities to avoid the parking of black money in bullion.

- h. The government's announcement on establishing gold spot exchange could help in India's participation in determining gold price in the international market.
- i. The RBI had launched Gold Monetization Scheme in November 2015. This scheme enable people, trusts, mutual funds, charitable institutions and Government entities to deposit their gold with banks and earn interest on the same in return.
- j. The Sovereign Gold Bond Scheme has been launched by the government. This scheme enabled the RBI to issue gold bonds denominated in grams of gold. This scheme provides an alternative to owning physical gold. It also aimed at keeping a check on imports of gold.
- k. GJEP Chas entered into an agreement with Maharashtra Industrial Development Corporation (MIDC) to build India's largest jewellery park in Navi-Mumbai which is spread on 25 acres land. Over 5000 jewellery units will operate from this park.
- l. Recently, two Common Facility Centres (CFCs) in Visnagar and Palanpur have been launched and other two CFCs at Amreli and Ahmedabad are likely to operate soon. These CFCs are equipped with latest manufacturing equipments to facilitate the manufacturers for more production of goods with better quality.
- m. The government has exempted IGST for exports of gems and jewellery for display in overseas exhibitions.

VII. Revised definition of MSME

Micro, Small & Medium Enterprises is the backbone of Indian economy as this sector has created 11 crores {110 million} job opportunities in India and contributing to the GDP by 29%. To give more strength under Atma-nirbhar Bharat Abhiyaan, the government has revised the definition of MSME with effect from July 1st, 2020, to enable Indian entrepreneurs to do their business in a better way and create more job opportunities. The old MSME criteria had two divisions (1) Manufacturing enterprises (2) Service enterprises and its criteria was based on investment only. However, under the new definition of MSME, Manufacturing enterprises and Service enterprises have been merged as one and its criteria is now based on turnover as well as investment.

Under this new definition, over 85 percent exporters (turnover up to Rs. 250 crore) will now fall under MSME category.

Classification for Manufacturing Enterprises and Enterprises rendering Services

Micro: Investment in Plant and Machinery or Equipment up to Rs.1 crore and annual turnover up to Rs. 5 crore

Small: Investment in Plant and Machinery or Equipment up to Rs.10 crore and annual turnover up to Rs. 50 crore

Medium: Investment in Plant and Machinery or Equipment up to Rs.50 crore and annual turnover up to Rs. 250 crore

MSME has several advantages which are as follows :

- Collaterals free credit to available to them
- 50% subsidy on patent registration & industrial promotion:
- Provision of overdraft facility along with Interest Rate Exemption
- Concession on electricity bills:
- Protection in case of delayed Payments
- Reimbursement of ISO Certification
- Eligibility for Industrial Promotion Subsidy
- Under price and purchase preference policy, provision of exclusive purchases by Central Government from MSME only
- Technology and quality up gradation support to MSMEs
- Capital and other grants for infrastructure development
- Incentives for their exports of goods and services by way of subsidies, tax exemption and technical support

VIII. Establishment of Special Economic Zones in India

The Special Economic Zone (SEZ) policy introduced in India from April 1st, 2000. The main objective of the policy was to enhance the inflow of foreign investment and to give level playing platform to the exporters to compete at international level by doing their export activities in a hassle free and conducive environment.

Special Economic Zone (SEZ) is a specifically delineated duty-free enclave. It is a geographical area that possesses specific economic laws, rules and regulation different from rest part of the country. The purpose of SEZs are to facilitate exports and increase foreign investments.

Presently, over 350 SEZs have been notified under the SEZ Act, 2005 and out of which, more than 230 SEZ are in operation. India's SEZs have been a

significant sourcing and manufacturing destination for foreign business entrepreneurs also. SEZ located in Santa Cruz, Mumbai is the most significant SEZ for exports of gems and jewellery. SEZs contribute very prominently in exports of gems and jewellery. More than 30% of exports of gems and jewellery are done from Special Economic Zones (SEZs).

Incentives for setting up in an Indian SEZ

In order to encourage the exporters, the government has provided many incentives to them for setting up their units in SEZ, these are as follows:

- Exemption from Duty for their import and domestic procurement of goods for the development, operation, and maintenance of your company;
- 100 percent exemption in income tax for first five years on their export income, 50 percent for next five years, and 50 percent of the export profit permitted to reinvest in the business for the next five years;
- Exemption from the GST and levies imposed by state government (supplies to SEZs are zero rated under the IGST Act, 2017, in other words they are not taxed);
- Single window clearances for all state and central government approvals;
- Concession in electricity charges by certain states in India;
- Deployment of customs officers in the SEZs to facilitate the export/import trade.
- State government provided land to SEZ developers at concessional rates to promote their economy.

IX. Foreign Trade Policy

Export-Import trade is regulated by Foreign Trade Policy of Ministry of Commerce, Government of India. The policy is meant for 5 years. The Present FTP 2015-2020 has following highlights:

FTP 2015-20 provides a framework to increase exports of goods and services, generation of employment with an objective to make government's 'Make in India' programme successful.

- The Policy aims to enable India to face the challenges of the external environment, keeping in step with a rapidly evolving international trading architecture and make exports trade a major contributor to the nation's economic growth
- The existing policy 2015-2020 introduces two new export incentive schemes, namely 'Merchandise Exports from India Scheme (MEIS)' for export of specified goods to

specified markets and 'Services Exports from India Scheme (SEIS)' for increasing exports of notified services.

- Duty credit scripts issued under MEIS and SEIS are used to pay duty in lieu of cash on imported goods. These scripts are fully transferable.
- Rewards under MEIS are in range of 2% to 5% depending on country of exports. Under SEIS the selected Services is rewarded at the rates of 3% to 5%.
- Measures have been adopted to encourage procurement of capital goods from indigenous manufacturers under the EPCG scheme by giving incentive in the form of reducing export obligation to 75 per cent of the normal export obligation.
- Measures have been taken to encourage exports of defense and hi-tech items.
- E-Commerce exports of handloom goods, books, leather footwear, toys and customized garments through courier or foreign post office are eligible to get MEIS benefit (for values up to Rs. 25,000).
- Status holder manufacturers are eligible to self-certify their manufactured goods, as originating from India with a view to qualifying for preferential treatment under various forms of bilateral and regional trade agreements. This 'Approved Exporter System' would facilitate manufacturer exporters in their international trade.
- Several steps have been taken to encourage manufacturer/exporter under 100 per cent EOU Schemes. Such as fast track clearance of goods, to permit them to share infrastructure facilities, inter unit transfer of goods and services and to set up warehouses near the port of export and to use duty free equipment for training purposes.
- Over 100 MSME clusters are selected for focused interventions to increase exports. Accordingly, 'Niryat Bandhu Scheme' has been galvanised and repositioned to achieve government objectives of 'Skill India'.
- Ease of doing business and trade facilitation have been given special emphasis in this new FTP. Shifting towards paperless work and functioning under 24x7 environment are also in the agenda of new FTP.
- Other Exports promotion Schemes

X. EXPORT PROMOTIONAL SCHEMES:-

Besides the recent introduction of exports schemes like MEIS and SEIS, Some of the significant schemes are as follows:

- Scheme under Advance Authorization
- Advance Authorization for annual requirement
- Scheme under Duty Free Import Authorization (DFIA)
- Exports under Duty Drawback Scheme
- EPCG SCHEME for Capital Goods
- 100 % EOU Scheme

XI. Setting up Co-ordination Committee (CoC)

During May 2018, the White Paper was released by GJEPC, and subsequently Co-ordination Committee (CoC) was formed under the aegis of Ministry of Commerce. The CoC consists of members from Finance ministry, Commerce ministry, RBI, IBA, Leading Banks and Trade with an objective to redress the various G&J related issues, such as maintaining transparency in trade through mykyc Bank, formation of Trade Disciplinary committee to bring self-discipline and proposal for new Credit Policies for Diamond and Jewellery Sector etc.

XII. Formation of Common Facility Centres (CFCs)

In order to improve the productivity and quality of gems and jewellery products manufactured by small and medium entrepreneurs, it is essential to provide them access to advanced technology. To facilitate them, the government through GJEPC has set up four Common Facility Centres (CFCs) at Visnagar, Palanpur, Amreli and Junagadh for the diamond sector. New CFCs are also being built at Coimbatore, Kolkata, Delhi, Jaipur, Hyderabad and Rajkot.

These CFCs are proving very beneficial for MSMEs as their productivity has increased substantially and manufacturers are now able to produce goods of international standards. For setting up of such CFCs, the government grant financial as well as infrastructural support. Such CFCs are operated and maintained by the local Gems and Jewellery associations.

With the success of existing CFCs, another two Mega CFCs in Mumbai and Delhi are likely to established soon. These Hi tech mega CFCs would be able to fulfill the future needs of the G&J sector and play a key role in making India as the global leader in the fields of innovations and R&D of Gems and Jewellery sector.

XIII. Usefulness of E-Commerce Policy

Trading through E-commerce has a huge potential for giving a boost to gems and jewellery exports. However, due to certain technical as well as procedural complication such as logistics network

and physical documentation, exporters are unable to grab this opportunity to maximize their exports. At present, exports of gems and jewellery from India through e-commerce is very negligible i.e. 1-2%.

Export/Import trade of G&J are mainly done by way of B2B transaction. If B2C transaction through e-commerce is promoted, it would give additional boost to exports. In this context, it is pertinent to mention that in USA, which is the main market for jewellery, levies Nil customs duty on consignment valued up to USD 800. On this basis, GJEPC has made a formal request to the Government for implementation of such facilitation in Courier Import & Export Regulations 2010 by CBIC to allow export and import of G&J valued up to USD 800. These facilitation would be of great benefit for the trade.

China, USA and other leading countries are nowadays dealing more and more through e-commerce in their B2C trading. Websites like Alibaba.com, eBay, Amazon, Etsy etc, are actively involve e-commerce trading.

Indian government is serious about implementation of e-commerce policy. Works like devising detailed SOPs, ensuring complete end-to-end tracking of the goods are under progress, to make e-commerce mode of trading as more effective.

XIV. India is one of the members of KP Certification for Import/Export of rough diamonds

India is one of the founder members of the Kimberley Process Certification Scheme (KPCS). It was constituted with the approval of the United Nations Organization in order to prevent the trade of conflict diamonds. Presently, KP has 54 participants representing 81 countries (European Union's member states have one representative) which covers 99.8% of the rough diamonds worldwide.

XVI. Recent developments

In recent past, due to the excessive import of gold, the government has imposed restrictions on import of precious metals. Gold in any form can be imported by certain nominated agencies as notified by RBI (in case of banks) and DGFT (for other agencies). However, import under advance authorization and supply of gold directly by the foreign buyers to exporters against orders have been exempted from restriction. Gold and silver dore have also fall under restricted list however refiners can import the same against license under actual user condition for making the finished products meant for exports only. Similarly, Star and premier trading houses can import gold only for export purpose, whereas those willing

to buy gold for sale in local market can purchase the same on consignment basis or through metal loan from authorized banks or agencies like MMTC, PEC, etc. Presently, Gold attracts 12.5% import duty and 3% GST.

XVII. Formation of Special group to resolve gems, jewellery industry issues

In order to facilitate the G&J trade with the objective of ease of doing business, the government has formed a special group comprising of customs and banking officials, headed by the Member Customs to resolve various issues faced by the trade.

The GJEPC has made a representation for several reliefs which include reduction in import duty of polished diamond from 7.5 per cent to 2.5 per cent, clarification on Online equalization Levy for B2B International diamond auctions, e-commerce facilitation, GST related issues among others.

During the COVID-19 pandemic, the RBI has extended huge support to the industries by way of reducing the statutory ratios and infusing the much needed liquidity to them, however, the GJEPC has urged RBI to relax the interest rates and margins applicable on export finance, provide interest subvention in such crisis situation across all sectors for traders and manufactures up to 5% and give permission of extension of credits and export bills for a period of 3 to 6 months on the basis of business cycles of the industry.

The G&J industry has made a request to the government to permit them to sale of rough diamonds at the special notified zone. It would fetch higher tax collection and promote Aatma Nirbhar Bharat Yojana.

GJEPC has made a suggestion that turnover tax should not exceed 0.16 per cent as it is levied in Belgium (Antwerp) which would facilitate the miners to log their sales in India without maintaining separate accounts.

Few suggestive measures:

During the research, it is observed that there can be an exponential growth in exports of gems and jewellery products if the government consider on following points:

1. Currently, rough diamonds are sent to the Special Notified Zone at Mumbai in India by diamond miners for viewing purpose only. Sale is not permitted there on account of the fact that the sellers would be considered as

permanent entities and income tax would be livable to avoid this, sellers have no option but to take back their rough diamonds back to their countries. The government should make a provision to permit them to sell their rough diamonds to Indian manufacturers in SNZ, India without any tax liability. This will help Indian manufacturers to buy their required rough diamonds in India without travelling foreign countries.

2. To extend more facilities to the exporters to conduct their B2C trading through e-commerce platform.
3. Simplification of customs procedures in export/import of goods.

It can be said that the role of government in exports of gems and jewellery has been very positive and significant. It is certain that the growth of export of this industry can be reached to desired level in near future with the help and support of government.

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