

ROLE OF REGULATORY BODIES IN UPLIFTING GEMS AND JEWELLERY SECTOR IN INDIA: WITH SPECIAL REFERENCE TO POST PANDEMIC PERIOD

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ABSTRACT

The Indian jewellery sector is renowned for diversified range of products and its finest craftsmanship. It has witnessed a remarkable growth in terms of gems & jewellery exports over the years. It is the fastest growing industry in terms of forex earnings and employment generation. This sector is boosting more in India due to "Make in India" initiative as manufacturing of gold and diamonds is done at a cheaper rate in India than the rest of the world and therefore, gaining competitive advantage due to more availability of skilled and cheap labour. India performs exceptionally great in the international market, with an enviable 20.6% share in exports of diamonds in 2020. This sector contributes around 7.5% to GDP (Gross Domestic Product) and 14% to India's total merchandise export. This sector ranks in the top ten countries globally, which is a testament to the importance and immense potential of this sector. Therefore, this paper is an attempt to study the impact of pandemic on gems and jewellery sector in India and to highlight the efforts made by regulatory authorities to improve the performance of this sector. In this paper, the researcher has witnessed decline in export performance of the gems and jewellery sector from April 2019 to February 2020 and further highlighted the contribution made by various regulatory authorities like GJEPC, Indian Government to provide relief to improve the performance of this prominent sector of Indian economy.

KEYWORDS: G&J (Gems and Jewellery) in India, Post Pandemic Period, Impact, G&J Performance, Regulatory Bodies.

Introduction

Gems and Jewellery Sector in India is amongst one of the finest, desirable, opportunistic, or resourceful, and most importantly very crucial sectors for the growth and development of Indian Economy. Jewellery sector always makes its mark prominently from the ancient times till now. With the passage of time, it emerged as a diversified sector which is not merely/only deals with selling of jewellery products but it also offers, export and import opportunities, foreign exchange earnings, international collaborations, creative designing, manufacturing business, wholesale, and retail business etc. Thus, it is an important sector that was, is and will be contributing to the GDP of India in one way or other.

Being a crucial sector, it is often affected by the new information in the market whether it is due to price fluctuations, international tiffs, change in government and policies or COVID Pandemic as well.

Objectives of the Paper

- To study the impact of pandemic on gems and jewellery sector in India.
- To highlight the role of regulatory authorities to improve the performance of this sector.

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Research Methodology

This paper is purely based on secondary data collected from various secondary sources like authentic websites, research papers etc. In order to achieve the objective, the impact of pandemic was studied from April 2019 to February 2020.

Impact of Pandemic on Gems and Jewellery Exports

Table A: Gems & Jewellery Exports (April 2019 to February 2020)

| Months/Year | Exports in 2019 in US\$ billion | Exports in 2020 in US\$ billion | % Growth (y-o-y) |
|-------------------------|---------------------------------|---------------------------------|------------------|
| April - November 2019 | 26.7 | 25.2 | (-5.5) |
| December 2019 | 2.4 | 2.4 | (-1.8) |
| January 2020 | 3.2 | 2.9 | (-9.1) |
| February 2020 | 3.6 | 2.9 | (-19.3) |
| December- February 2020 | 9.4 | 8.3 | (-11.3) |
| April-February 2020 | 36.1 | 33.6 | (-7.0) |

Source: Gems & Jewellery Export Promotion Council (GJEPC)

Indian trade started getting affected due to widespread of COVID in International market as depicted in above mentioned table. The table clearly indicates that Indian exports have witnessed a decline in growth by -5.53% during the months of April to November 2019, when COVID makes its feet in the world and it further gets doubled by -11.32% during the months of December to February 2020. The major causes for these negative results include a decrease in exports due to the annoyance imposed by COVID, local policy and procedural issues, and slow import demand in the global market.

In February 2020, gems and jewellery exports fell the most, by (-) 19.37%. Exports of G&J fell the most (-19.37%) in the current fiscal year to US\$2.97 billion in February 2020, compared to US\$3.69 billion in the same time previous FY2019, illustrating the impact of coronavirus (Figure 1).

Table B: Exports of Key Commodities in US\$ Million

| Financial Year 2020 | Cut and Polished Diamonds | | Coloured Gemstones | | Imitation Jewellery | |
|-----------------------|---------------------------|------------------|--------------------|------------------|---------------------|------------------|
| | Amount | % Growth (Y-o-Y) | Amount | % Growth (Y-o-Y) | Amount | % Growth (Y-o-Y) |
| April - November 2019 | 13412.4 | (-18.9) | 228.8 | (-11.0) | 42.0 | (-7.2) |
| December -2019 | 1253.9 | (-4.5) | 18.6 | (0.9) | 5.2 | (4.9) |
| January -2020 | 1649.1 | (-5.6) | 42.4 | (-7.4) | 5.3 | (-5.5) |
| February -2020 | 1383.7 | (-40.9) | 17.3 | (-64.5) | 3.2 | (-39.7) |
| April - February 2020 | 17699.3 | (-19.3) | 307.2 | (-17.0) | 55.9 | (-8.9) |

Source: Gems & Jewellery Export Promotion Council (GJEPC)

Cut and polished diamond exports decreased by (-) 40.92%, coloured gemstone exports fell by (-) 64.58%, and imitation jewellery exports fell by (-) 39.78% year on year in February 2020. This indicates that additional gem and jewellery commodities would be impacted, as all other operations including customs in India are closed owing to the lockdown.

Role of Regulatory Authorities to Improve the Performance of this Sector

• GJEPC

The Gem and Jewellery Export Promotion Council (GJEPC) has taken many efforts to reduce the impact of the ongoing health crisis caused by the COVID-19 epidemic on the companies of its member exporters.

- **Welfare Measures:** In response to the COVID-19 pandemic, the Gem & Jewellery Export Promotion Council (GJEPC) has set up a Rs. 50 crore (Rs. 500 million) corpus from its own reserves to fund welfare measures.
- **Relief Measures:** GJEPC is working with the central government's Ministries of Commerce and Industry (DGFT), Finance (Customs / CBIC / ICEGATE), Finance (DFS/RBI), and Labour/Ministry of Human Resource Development on various relief measures for the sector's businesses, particularly MSMEs, and concrete announcements are expected soon.

- **Long-term steps:** GJEPC is also working with other trade associations throughout the world, as well as industry apex organisations such as the World Federation of Diamond Bourses (WFDB) and the World Gold Council, to determine the various initiatives that may be taken to strengthen the industry's position post-covid.
- **Indian Government:** The finance minister has announced operational measures and reliefs that would directly assist exporters and MSMEs in the gem and jewellery sector.
- **GST Related:** The deadline for submitting March, April, and May 2020 returns has been extended to June 30, 2020, from March 31, 2020. Companies having a turnover of more than 5 crore get interest at a lower rate of 9%, with no late fees or penalties.
- **Income Tax related:** The deadline for submitting the 2018-19 income tax return has been extended to June 30, 2020, from March 31. Interest on late payments has been cut from 12 to 9%.
- **Customs related:** Customs will provide 24x7 service till 30th June, 2020. The deadline for settling customs-related concerns under the Vivad se Vishwas Scheme has been extended to June 30, 2020, with no penalty interest.
- **Commerce related:** Timelines were extended for all procedures without changing the schemes.
- **Banking related:** To support MSME businesses, the bankruptcy threshold has been raised from Rs 1 lakh to Rs 1 crore. Bank fees are decreased for digital commerce transactions. There is no minimum balance requirement to keep bank accounts for the next three months.

Findings & Conclusion

The impact of COVID-19 on G&J exports is estimated as follows:

- Gem and jewellery exports decreased by 11.32% from December to February 2020, compared to 5.53% in April-November 2019.
- Gem and Jewellery exports decreased by 19.37% in February 2020.
- Key export goods, such as cut and polished diamonds, coloured gemstones, and imitation jewellery, are experiencing significant losses.
- Other gem and jewellery commodities may face challenges until business sentiment and consumer confidence recover.

The paper revealed the impact of Covid on gems and jewellery exports and further highlighted the contribution made by various regulatory authorities like GJEPC, Indian Government in order to provide relief to this prominent sector of Indian economy. Various measures have already been taken to revive the exports of this sector and various other suggestive measures are looked upon in order to improve the performance of this sector.

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