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**“A STUDY ON THE CHANGING FACE OF  
INDUSTRIAL RELATIONS PRACTICES AMONG THE  
ORGANIZATIONS BELONG TO GEMS &  
JEWELLERY SECTOR, SURAT.”**

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INTERNATIONALLY  
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# “A Study on the Changing Face of Industrial Relations Practices among the Organizations Belong To Gems & Jewellery Sector, Surat.”

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**Abstract –** *The gems and jewellery industry is broadly divided into three main categories, which includes cut and polished diamond, gold jewellery, precious and semi-precious stones. The two major segment of the Gems & Jewellery business in Surat are gold jewellery and diamond jewellery. While a predominant portion of gold jewellery manufactured in Surat is for domestic consumption; a major portion of rough, uncut diamonds processed in India in the form of either polished diamonds or finished diamond jewellery is exported. Gold jewellery accounts for around 80% of the Indian jewellery market; with the balance comprising of fabricated studded jewellery-diamonds and gemstones. Diamond holds the most important position in terms of foreign exchange earnings. Processed diamonds contribute about 80% of the total export of the industry, which makes the Indian gems and jewellery industry diamond centric. India accounts for nearly 55% of world net exports of cut and polished diamonds in value terms. There is hardly any other export segment of the country that has such a significant share in the world market.*

**Keywords:** Industrial, Organizations, Gems & Jewellery, Sector, Surat, India, industry, etc.

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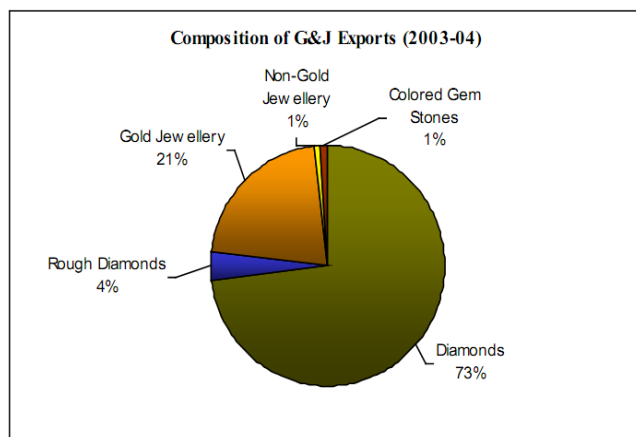
## INTRODUCTION:

In India, gems and jewellery inspire passion unlike any other object of desire. Everyone has been moved by the beauty of gems and jewellery at some point be it a glittering wedding necklace, exquisite earrings, or a solitaire diamond. Gems and jewellery have a rich history and cultural heritage that, coupled with an enduring attraction to gold, has given rise to a large and thriving industry [1]. The gems and jewellery industry is broadly divided into three main categories, which includes cut and polished diamond, gold jewellery, precious and semi-precious stones. The two major segment of the Gems & Jewellery business in India are gold jewellery and diamond jewellery [2]. While a predominant portion of gold jewellery manufactured in India is for domestic consumption; a major portion of rough, uncut diamonds processed in India in the form of either polished diamonds or finished diamond jewellery is exported [3].

## REVIEW OF LITERATURE:

Gold jewellery accounts for around 80% of the Indian jewellery market; with the balance comprising of fabricated studded jewellery-diamonds and gemstones [4]. Diamond holds the most important position in

terms of foreign exchange earnings. Processed diamonds contribute about 80% of the total export of the industry, which makes the Indian gems and jewellery industry diamond centric. India accounts for nearly 55% of world net exports of cut and polished diamonds in value terms [5]. There is hardly any other export segment of the country that has such a significant share in the world market. Cut and polished diamonds continue to be the largest component of the exports under the Gems & Jewellery segment comprising of about 73% of the total exports from India in this sector, however gold and studded jewellery is increasing its share very fast. The jewellery segment has increased its share from 17% of the export basket in 2002-03 to 21% in 2003-04 as seen in the diagram above.



**Figure-1 Composition of Gems & Jewellery (2003-2004)**

### 1- Gems & Jewellery Segment:

India is the largest fabricator of gold for jewellery with more than 90% of this gold acquired for making jewellery. With estimated gold jewellery consumption of 520 tonnes during 2004 (according to World Gold Council Statistics), India is the largest consumer of gold jewellery in the world, accounting for 20% of global gold jewellery consumption [6]. India is also estimated to hold nearly 14,000 tonnes of gold, accounting for nearly 9% of the world's cumulative mine production. It is estimated that the current annual demand for gold in the country is close to 800 tonnes (including recycled gold). Domestic gold jewellery expenditure, in terms of the value of the gold content purchased, peaked at Rs.302 billion in 1998 before declining to Rs. 279 billion in 2002. However, the rise in gold prices since early 2003 has resulted in gold jewellery demand increasing around Rs. 310 billion in 2004. Export of gold jewellery has increased at a 5 year CAGR of 29.5%, from Rs. 52.20 billion (\$1.15 billion) in 2001 to Rs. 171.13 billion (\$3.81 billion) in 2005. However, India's exports of gold jewellery are negligible, less than 2% of the \$80 billion global market. The main reason why India has not made a dent in jewellery export market is the existence of government restrictions on the domestic jewellery industry in the pre-economic liberalization era.

### 2- Key characteristics of gold jewellery industry:

The Indian jewellery market is large and the production of gold jewellery takes place in all parts of India. It is worth over \$10 billion a year, but it is largely fragmented and is not branded. Branded jewellery accounts for less than 2% by value. The rest of the market is in the hands of about 300,000 unorganized jewellers. The jewellery segment as opposed to the diamond segment is directed more towards the domestic market of India. It has lot of structural differences with the diamond segment. The jewellery retailers are generally present in all cities and they control the industry [7]. The jewellery is manufactured in their units or it is outsourced from a lot of small units attached to them. At the distribution end, small and

unbranded retailers predominate, with only a handful of branded retailers. In the middle, there are thousands of small traders whose trading relations are very private and largely invisible to the public, tending to hide information on procurement and sales destinations from their competitors. The jewellery exports instead, are more organized, have larger units and try to carry out almost all stages of production in-house to ensure better quality control.

In this section we focus on the initiatives taken by the enterprises in the production process, design and technology and marketing strategies to compete and survive in the domestic and global market. The gold industry in India is fragmented and therefore there is hardly any information available on the initiatives for improvements, taken by the enterprises in various domains of operation [8]. However, based on the secondary source of information an attempt is made to make out the changes introduced by gold jewellery enterprises in production process, technologies and the market strategies.

### 3. Product innovation:

Indian jewellery market operates mostly in tightly protected market, as a result of which there are strong territorial franchises, which security to those in business. But at the same time this has led to little innovation and very little differentiation. Due to this lack of competition among the jewellers, little attention has been given to jewellery designs. The trend has been such that the buyer goes to the generation old family jeweler for making jewellery, which he trusts for quality and design. The buyer has little choice in the type of design he can obtain [5]. This is the general scenario in Indian jewellery market, which operates in small villages or towns.

Different regions of India portray unique jewellery designs, like in Jaipur enameling or meenakari, temple jewellery from Nagercoil, which consists of traditional gold ornaments studded with red and green semi-precious stone [9]. The designs in solid gold jewellery of Tamil Nadu and Kerela are inspired by nature. Thus each state has its own special gold jewellery design.

### 4. Market innovation:

It is imperative that any attempt to enhance production or expansion of trade, is to be accompanied by an effective marketing strategy. It has been observed that proactive marketing strategy has worked wonders for the jewellery industry. In order to reach out to the potential customer, it is required that they be aware of the type of products available in the market. Keeping this fact about consumer knowledge Indian jewellery traders have increased their participation in trade shows, where people from various parts of the world come in search of new designs and unique jewellery [6]. Also it caters to the need of various sections of the society by giving them an idea about what is available in the market and also its price.

Indian jewellers have also started participating in International exhibitions and trade fairs, thereby attempting to grasp the attention of foreign customers [10]. This type of interactive marketing also helps the jewellery designers to understand the global market demand of various countries and sections of the society.

Another marketing strategy employed is setting up of trade offices. These offices play an important role by feeding the trade in their own country with necessary information like, data regarding customer choice, materials, designs, price levels and modern trend, in order to guide them in the production. It is reported that many Indian exporters operate export offices in major markets and have greatly been benefited in their efforts to expand the trade.

### CONCLUSION:

In the gems and Jewellery industry in India, what we have observed is in the form of certain initiatives by the entrepreneurs in various domains of operations to strengthen their competitiveness in domestic as well as the global market. The industry is moving towards customized product development, newer designs through designing techniques, and establishing brands with assurance of quality products. Here, we have tried to understand the process of innovation through various initiatives of these entrepreneurs. These are both technological and non-technological in nature. The study brings out two most important dimensions for innovation indicators. First is the typical feature of an industry that is highly unorganized, but gradually becoming organised. Reorganization of the industry surely involves very many technological and non-technological innovations. The study, therefore, observes that in an industry that largely, caters to the traditional demand and also modern snob market, innovation is essentially in industry organisation with limited technological changes. The indicators suggested above are derived from the observations on the behaviour of the existing firms in the industry. Although these indicators refer specifically to the features of the gems and jewellery industry of India, they also bring out the fact that organisational innovation is actually a derivative of market types and skill requirements in the production process of the industry. In this sense the indicators would have general appeal and should reveal features of the similar relations in other industries.

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