

**Second State Level Workshop
Grassroots Reachout & Networking in India on Trade & Economics
(GRANITE) - Phase-II**

October 23, 2009, Jaipur, Rajasthan

Background

The purpose of the meeting was to present the findings of the study done on the Gems & Jewellery Sector in Rajasthan during Phase II of GRANITE. These findings were to be presented to get suggestions for improving the export status of the sector in Rajasthan as well as initiate discussion on other concerns.

Proceedings

Anutosh Biswas, Programme Officer, CUTS International in his presentation entitled *Impact of NFTP on the Gems and Jewellery Sector in Rajasthan: CUTS Research Findings* talked about the major factors affecting production and the concerns of the industry. In addition he briefly summarised the provisions in the new NFTP 2009-2014 for the Gems and Jewellery (G&J) Sector. He concluded the presentation with recommendations based on the findings.

After the presentation, the floor was opened by Siddhartha Mitra, Head CUTS CITEE for discussion. There were three prominent people present from outside CUTS – Rachna Singh from Times of India; Ashok Goyal from CII and Dwarka Jewellers; and Rajan Mahan, Jaipur correspondent for NDTV. Ashok began by saying that the G&J industry in Rajasthan has a lot of potential to grow but most of the industry still comprises of family run Small/Medium Enterprises (SMEs). As a result, the industry faces the following problems:

- Lack of adequate technology because of lack of funds: Most of the machinery is imported and this makes it expensive to acquire
- Small companies are unable to participate actively in the large expo shows (organised by Gems & Jewellery Export Promotion Council – GJEPC) to showcase their skills and products because of the high costs involved
- High competition with countries such as Indonesia and Thailand
- To compound these problems, these small and medium enterprises are not very forward looking and thus have not taken any steps for becoming export houses or expansion.

High labour mobility is also a concern for the sector in Rajasthan. The skilled workers in the form of second generation workers are not interested in remaining in their family businesses and are moving to other occupations. A lot of the companies have no incentive to provide training because there is a high incidence of poaching. Pilferage is and has always remained a problem.

Rajan Mahan pointed to the need to establish a linkage between the state's G&J sector and its tourism department. He said efforts should also be made to make the state more tourist friendly as over the years it has earned the reputation of harbouring 'touts' making the experience for tourists rather negative.

Some of the following issues related to the sector's infrastructure were also mentioned:

- Government rules regarding land acquisition are not investment friendly (even in SEZs). Once a major portion of the land is sold, the rest of the land can only be acquired through auction which can take a lot of time.
- Because no R&D is being undertaken in the sector, companies are forced to import machinery which drives up their costs. At the moment such machinery is available in cities such as Ahmedabad and Ludhiana, but its quality needs to be improved.
- There is some disincentive for tourists to buy jewellery because there have been cases of airport customs not allowing jewellery to be taken on board. This is because of doubts expressed by customs over the value of the jewellery carried, regardless of whether the passenger has the receipt.
- There is a lack of information for tourists and prospective buyers on jewellery outlets. Such lack of information creates uncertainty and affects sales.
- There is a need for better public transport in the old city, the hub of jewellers

Recommendations made in light of the aforementioned issues

- There should be some coordination between the G&J sector in Rajasthan and Rajasthan Tourism Development Corporation (RTDC), which can promote the state's jewellery companies amongst the large tourist population that visits the state, and provide accurate information.
- An international airport with direct connectivity (rather than through Delhi) to major international cities should be set up in Jaipur to encourage tourism and enhance the jewellery sector's customer base. Apparently, the absence of such an airport is diverting potential sales away from Jaipur to more accessible cities such as Mumbai.
- Heavy R&D investment should be made in the sector in terms of developing capacity within India to produce machinery. R&D in software programmes to effectively manage operations from manufacturing to retailing will ensure more effective business management.
- Relaxation of terms and conditions for export finance.