

ROLE OF SPECIAL ECONOMIC ZONES IN NATION DEVELOPMENT WITH SPECIAL REFERENCE TO GEMS & JEWELLERY INDUSTRY

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Abstract : Special Economic Zones (SEZs) were established in many countries as testing grounds for implementation of principles of liberal market economy. SEZs are viewed as instruments enhancing the acceptability and credibility of transformation policies, attracting domestic and foreign investment and also of the opening up of the economy. SEZs in India seek to promote the value addition component in exports, generate employment as well as mobilise foreign exchange. Globally, many countries initiated Free Trade Agreements (FTAs) which eventually led to a spurt in investments in infrastructure developments for Free Trade Zones (FTZs) and SEZs. In India, the government has been proactive in the development of SEZs. It has formulated policies, reviewed them occasionally and also ensured that ample facilities are provided to the SEZ developers as well as the companies setting up units in SEZs. These favourable conditions resulted in the biggest ever corporate rush for the development of SEZs in India. Over 234 companies received formal approval, 162 companies received in-principle approval and 100 companies received notification to set up SEZs.

Keywords: SEZ, Gems and Jewellery, Export Destinations, FTZ.

INTRODUCTION

Gems & Jewellery has had an important place in the Indian society and economy ever since civilization dawned on the Indian soil. Gems and precious metal have a great ornamental, astrological and religious significance. From ages they have been used as a means of accumulating wealth. It has always been a matter of grave concern for all the governments of the world to better the socio-economic condition of their people. Different methods and policies are being followed to achieve the purpose. The creation of Special Economic Zones (SEZs) is one such step in that direction which has helped the nations like Brazil, China, Pakistan, Iran, Jordan, Poland, Russia, etc. to accelerate their economic development. Encouraged by the experience of these countries especially China, India has also followed the policy to create SEZs in different parts of the country.

A Special Economic Zone is a geographical region which has economic laws that are more liberal than the country's general economic laws. It is a specifically delineated duty-free enclave, and treated as a foreign territory for the purpose of industrial, service and trade operations, with exemption from customs duties and more liberal regime in respect of levies, foreign investment and other transactions. In fact, the SEZ is a development tool, with the goal of promoting rapid economic growth by using tax and business incentives to attract foreign investment and technology

Generally, SEZs are defined as geographically delimited areas administered by a single body, offering certain incentives to businesses which physically locate within the zone. The category 'SEZ' covers a broad range of Specific Zones including Free Trade Zones (FTZs), Export Processing Zones (EPZs), Free Zones (FZs), Industrial Estates (IEs), Free Ports (FPs), Urban Enterprise Zones (UEZs) and others. These different terms have been used over time reflecting the variety of activities performed in Zones. The most used terms are Free Trade Zones, Export Processing Zones, Special Economic Zones and Industrial Free

Zones. They all have some basic feature in common But in the present study, the term Special Economic Zone has been used to encompass the range of SEZ in Mumbai and Gujrat.

The concept of SEZ is based on the framework of the cluster approach. SEZs are considered as industrial clusters where industrial and business units realize economies of scale and other advantages which help in reducing the cost of production of the operating units. Due to the large incentives provided by the centre and the state governments, removal of bureaucratic controls, availability of infrastructural facilities and non-application of labour laws, many firms (both Indian and foreigne) would find it economical to locate their units in SEZs. The competitive advantage within these zones would attract massive investment and make them an engine of growth and industrialization. The massive investment in these zones would generate a lot of employment and would help in shifting the workforce from agriculture to industry and tertiary sectors

The number of SEZs globally continues to expand. SEZs account for an increasing share of international trade flows and employ a growing number of workers world-wide. In the global economy, SEZs are viewed as an instrument to promote industrialization, generate employment and for regional development. SEZs have played a crucial role in the economic development of many developing countries, for example, China. The policy of SEZs was first adopted by China in 1978 as part of its economic reforms. On seeing the success of this policy in China, India adopted this scheme in April 2000 as a part of EXIM policy.

GEMS AND JEWELLERY INDUSTRY

Gems & Jewellery has had an important place in the Indian society and economy ever since civilization dawned on the Indian soil. Gems and precious metal have a great ornamental, astrological and religious significance. From ages they have been used as a means of accumulating wealth The global market for Gems and Jewellery today is over \$100 billion with jewellery manufacturing dominated by a handful of countries like India, Italy, China, Thailand and USA. Gems and Jewellery industry is one of the significant contributors of the country's export-led growth. It is one of the fastest growing sectors accounting for around 15% of the India's total merchandise exports during the financial year 2013-14. The industry has registered a remarkable growth over the last four decades with exports growing from \$28mn in 1966-67, when the Gems and Jewellery Export Promotion Council was established, to \$34993 million in 2013-14. India has established itself as the world's largest manufacturing sector for cut and polished diamonds, contributing nearly 60% of the world's supply in terms of value and 80% in terms of volume.

OBJECTIVE

The objectives of the present study are:

1. To study the export growth of Gems and Jewellery during last five years period of from 2009 up to 2014.
2. To study the major export destination of Indian gems and jewellery.

METHODOLOGY

>SOURCE OF DATA:

In order to conduct the study, information has been gathered mostly from secondary sources, government publications and websites. Reports of various agencies like DGCI&S, Economic Survey of India, EXIM Policy Statement and Export Import Manual have been considered besides browsing various related websites. The information of trade statistics is collected from the official record of Gems and Jewellery export promotion council of India.

>PERIODICITY:

The present study covers the period from 2009-10 to 2013-14 covering a time period of 5 years. After considering the objectives and methodology of the present study, I now propose to lay down the composition of Gems and Jewellery and few significant perspectives of this sector.

GEMS AND JEWELLERY - ITS COMPOSITION ^

The gems and jewellery products can be classified into eight major groups based on the Gem and

Role Of Special Economic Zones In Nation Development With Special

Jewellery Export Promotion Council (GJEPC) export data such as following:

- (1) Cut and Polished Diamonds
- (2) Gold Jewellery
- (3) Coloured Gemstones
- (4) Pearls
- (5) Non-gold Jewellery
- (6) Costume/Fashion Jewellery
- (7) Synthetic Stones
- (8) Rough Diamonds

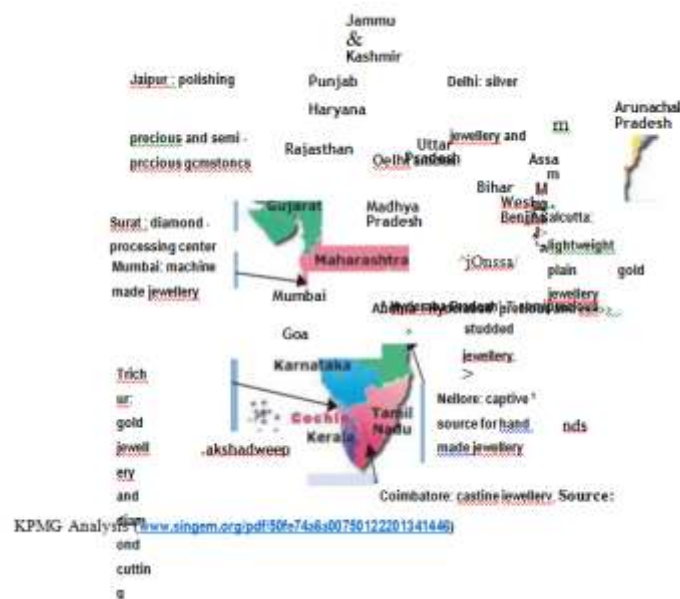
The jewellery crafting and designing is confined to only a few regions in the country and every regions specialises in separate craftsmanship skills.

The main clusters in Indian gems and jewellery industry are spread over the whole country. Specially the Maharashtra and Gujrat are the two leading state as far as the gems and jewellery production and there export from India to overseas country in the world is concerned.

Jewellery making is spread throughout the country with every village having a family of goldsmiths. The diamond processing industry has spread from the State of Gujarat, which accounts for almost 85 per cent of the diamonds processed in India, to other states. Surat, Bhavnagar and Ahmadabad are the diamond centres in Gujarat. Many diamond processing units have been set up in Mumbai in Maharashtra. There are also diamond processing units in Trichur in Kerala, Coimbatore in Tamil Nadu, Jaipur in Rajasthan and also in Goa. Mumbai continues to be the main trading centre for diamond exports. Almost 93 per cent of diamond exports are dispatched through Mumbai airport.

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Clusters in Indian gems and Jewellery industry



SOCIO-ECONOMIC CONTRIBUTION OF GEMS AND JEWELLERY INDUSTRY

The Indian gems and jewellery industry has proved its metal in international competitiveness. Simultaneously, it has also made significant socio-economic contribution:

- >The investment required for creating employment in the diamond processing and jewellery making units is quite low. On the other hand, employment generation in other industries call for heavy investment.
- >Due to low power consumption the gems and jewellery manufacturing processes do not aggravate the country's energy problems.
- >The countries to which India exports gems and jewellery are among the hard currency areas. The

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Role Of Special Economic Zones In Nation Development With Special

industry contributes continuously to the country's foreign exchange reserves.

>Diamond processing and jewellery manufacture do not pollute the environment, neither air nor water. This industry can be called environmental friendly industry because being an import based industry, it does not deplete natural resources and also leaves the flora and fauna intact.

>Through decentralized location, the gems and jewellery industry helps in the removal of unemployment in the rural sector, prevention of migration to cities and the avoidance of slums in the urban areas.

>The raw materials as also the finished products of gems and jewellery are of high-value but of low weight. They do not put any burden on the country's road, rail, sea and air transport.

GEMS AND JEWELLERY INDUSTRY AND INDIAN ECONOMY ^

The gems and jewellery industry plays a very important role in the Indian economy. The industry in the India comprises of sourcing, processing, manufacturing and selling of precious gemstones and artificial jewellery. India is one of the fastest growing jewellery markets in the world. Statistics suggest that 60 per cent by value, 82 per cent by volume and 95 per cent of cut and polished diamonds all over the world get processed in India. It is estimated that 11 out of every 12 diamonds are cut in India.

Indian gems and jewellery industry is bright star of the economy and one of the important foundations of the country's export-led growth. Currently, gems and jewellery industry in general and diamond industry in particular are perhaps the only industry in India, which is almost hundred per cent export oriented and which has done so well without being in any way a burden on the public exchequer. Gems and jewellery industry has gradually become vitally important for the Indian economy due to its contribution in India's total exports.

It is a leading foreign exchange earner and one of the fastest growing sectors accounting for 16.44 per cent of India's total merchandise exports during the year 2012-13.

The labour-intensive, cottage gems and jewellery industry being run with modest investment has been providing employment to millions of Indians. In the industry majority of the workforce come from the economically weaker sections of the society. The growth in the gems and jewellery sector and progressive improvement in the value addition chain have been contributing in the nation's industrial development.

Major segment of the Indian gems and jewellery industry is unorganized and fragmented with most of the players running family owned business. It is estimated that there are nearly 5,00,000 goldsmiths, over 1,00,000 jewellers, over 6,000 diamond processors, and about 8,000 diamond jewellers in the country.

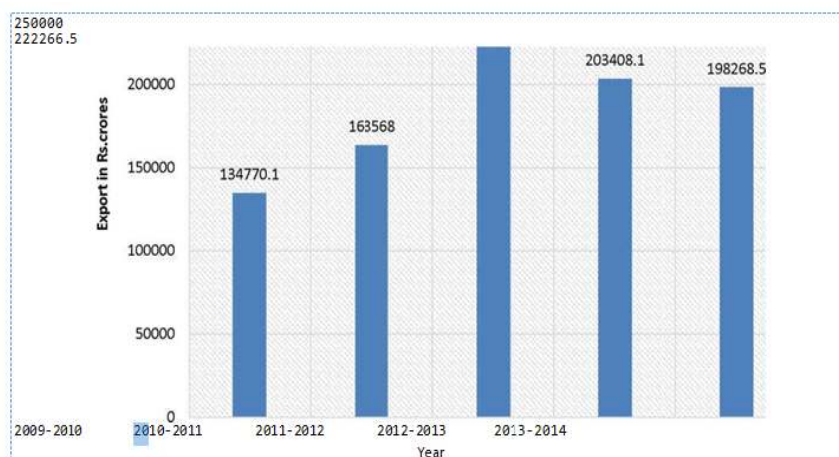
Total Export of Gems and Jewellery products from India during the Study Period

TABLE 1

Items	April 09 - Mar 10	April 10 - Mar 11	April 11 - Mar 12	April 12 - Mar 13	April 13 Mar 14
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Cut & Pol Diamonds	85650.93	110719.15	111108.78	94741.51	118870.00
(Quantity - Lakh Cts)	595.36	577.77	519.53	350.75	346.99
Gold Jewellery	32827.05	29442.12	80753.88	71295.98	47716.07
Gold Medallions & coins	12975.07	19898.04	24923.13	28490.06	19203.58
Coloured Gemstones	1358.12	1233.54	1659.50	3543.50	3136.90
Silver Jewellery	1936.15	2200.73	3686.23	5028.33	8798.89
Pearls	16.30	17.09	16.82	26.03	61.41
Synthetic Stones	6.52	57.33	118.17	282.71	481.64
TOTAL	134770.1	163568	222266.5	203408.1	198268.5

source: Gems and Jewellery Export Promotion Council (GJEPC), Ministry of Commerce and Industry, New Delhi.

Total Export of Gems and Jewellery products from India during the Period 2009-2010 to 2013-2014



Source: Gems and Jewellery Export Promotion Council (GJEPC), Ministry of Commerce and Industry, New Delhi

EXPORT OF GEMS AND JEWELLERY AS A % TO TOTAL EXPORT OF INDIA ^

TABLE 2

YEAR	EXPORT OF GEMS AND JEWELLERY AS A % TO TOTAL EXPORT OF INDIA
2009-2010	16.3
2010-2011	16.1
2011-2012	15.4
2012-2013	14.7
2013-2014	15.6

Source: figures available from DGCI&S

MAJOR DESTINATIONS OF INDIAN GEMS AND JEWELLERY

Gems and jewellery are mainly exported to rich countries like USA, UK, Japan, Israel, Belgium and Switzerland, trading nations like Hong Kong and Singapore, and also newly industrialised countries like Thailand. UAE is also a significant consumer of Indian Gems and Jewellery.

CONCLUSION

The Indian Gems and Jewellery industry is at a very significant point of its development. The increase in purchasing power of people has resulted in remarkable growth in the consumption of Gems and Jewellery worldwide. Moreover, the significant appreciation in the prices of Gems and Jewellery in the recent years makes them a very rewarding option of investment and wealth accumulation. The industry enjoys significant strengths and advantages, such as, availability of raw materials, labour, domestic market and supportive government policies. The volume of exports of the industry is both deepening and broadening which could be largely attributed to adoption of modern technologies, the industry's cost efficiency and marketing efforts.

India has been increasingly accorded the status of a world trading hub for Gems and Jewellery. To

build a Brand India, the industry has to renovate itself in accordance to the changed lifestyles and changing expenditure patterns through refurbished products, outlooks and business practices. The socioeconomic conditions are conducive for the same as the economy as well as the population of the country has realized the significance and potential of this sector in bringing about the much needed economic impetus.

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