

THE ROLE OF DIAMOND INDUSTRY IN THE ECONOMIC DEVELOPMENT OF GUJARAT

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ABSTRACT

Whereas economic development is a policy intervention aiming to improve the well-being of people, economic growth is a phenomenon of market productivity and increases in GDP; economist Amartya Sen describes economic growth as but "one aspect of the process of economic development". Economists primarily focus on the growth aspect and the economy at large, whereas researchers of community economic development concern themselves with socioeconomic development as well. India's \$23 billion diamond industry accounts for over one-third of its gems and jewellery trade, making up seven percent of the country's Gross Domestic Product (GDP). Gujarat is one of the most economically progressive provinces of the Indian Sub-Continent. Diamond Industry and the Diamond Workers have played a significant role in the high economic growth estimated at 12% SGDP per annum. It is estimated that Surat city alone employs 4.5 Lakhs in the diamond industry and roughly around 1 million people work in the diamond industry. The state is the world's largest producer of processed diamonds, accounting for 72% of the world's processed diamond share and 80% of India's diamond exports. With a contribution of 65 to 70% to India's denim production, Gujarat is the largest manufacturer of denim in the country and the third largest in the world.

KEYWORDS: *Diamond Industry, Growth and Development, Workers, SGDP.*

Introduction

What is Diamond?

Diamond is a solid form of the element carbon with its atoms arranged in a crystal structure called diamond cubic. Solid carbon comes in different forms known as allotropes depending on the type of chemical bond. The two most common allotropes of pure carbon are diamond and graphite. In graphite the bonds are sp² orbital hybrids and the atoms form in planes with each bound to three nearest neighbours 120 degrees apart.

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Diamond Industry in India

- India is the world's largest cutting and polishing centre for diamonds, with the cutting and polishing industry being well supported by Government policies. Moreover, India exports 75% of the world's polished diamonds as per statistics from the Gem and Jewellery Export Promotion Council (GJEPC).
- Indian diamonds cut and published are universally prized and India has emerged as the largest diamond cutting centre in the world. Today almost everywhere in India diamond business is well liked among local public.

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- Mainly, Mumbai, Surat, Ahmedabad, Bhavnagar and many other small towns in Gujarat are the hotspot for diamond polishing in India.
- Three decades ago, the Indian diamond industry was a scattered cottage industry. Today it has gradually evolved into a modern, large scale operation.



- The significance of the gems and jewellery industry in the Indian economic scenario is a development of the last three or four decades.
- In 1960-1961, the export turnover of the gems and jewellery industry constituted just 0.2% of the total exports from India which rose to 16.6% in the year of 2000-2001.
- The diamond industry occupies an important position in the Indian economy.
- It is a leading foreign exchange earner and also one of the fastest growing industries in the country. The two major segments of the sector in India are gold jewellery and diamonds.
- Diamond were discovered in India during 4th century and India was the countries to mine the gem.

Diamond Industry in Gujarat

Gujarat is home to the world's largest diamond cluster and essential processing hub between the miners and sorts of diamond (in south Africa, Botswana and elsewhere, Russia) and the mostly and developed countries, 85% of the world diamond (57% by value) are cut and polished in Gujarat. The cluster employees over half a million people most of whom are low skilled and poorly paid manual workers.

Surat is one of the older cities of Gujarat it has seen centuries of growth and change during the moghal and subsequent periods. It enjoyed the prestige of being a rich port city.

Growth and Development of Diamond Industry in Gujarat

During 1976-80, Gujarat witnessed an unprecedented growth and proliferation of diamond cutting and polishing industry. Initially 1983-84. A large part of this growth was confined to Surat and Navsari, but subsequently the industry spread to other districts.

- To this day a substantial diamond cutting industry has grown up in the cities of Ahmedabad, Bhavnagar, Mumbai, Navsari, and Surat in Gujarat province on the central-western coast of India, where a workforce of around 800,000 people cut and polish 80% to 90% of the world diamonds in a hodgepodge of cottage industry style sweatshops and cutting houses.
- Much of India's Diamond trade is controlled by a handful of wealthy families, many with the common surnames of Javari, Mehta, and Shah, most of the 'diamantaires' in Gujarat polishing industries are Jain, and ancient Indian religion and philosophy dating back to the 8th century BCE.

Review of Literature

Methyu, K. (1973): Methyu has done this study by visiting the Diamond workers who were living in the five villages nearer to the Navsari District of the Gujarat. He has used England's qualitative analytical method rather than America's analytical method to retain the quality of his study. According to him, population density in Surat and Navsari is much more. In his study he has specified that diamond workers are expecting more out of his income without any types of future planning. In his study he finds most of the workers of the small aged to whom we can say child workers are entered in this business due to their weak economic condition. They have also left out their study for more earning. Methyu also finds somehow behavioural and social weaknesses among them. As per his study the condition of the working place was very bad, it seems that workers who are living with the health less worker have possibility to become ill also. He finds that workers were working very hard to earn more money. They are not aware about the labour law. They are not getting the facilities like provident funds, insurance, allowances etc. According to researcher industry is as same as society. Thus, he modernization in this society. He says that this society needs more researches.

Kanani. G(2007)Has found out in his thesis "*The State of Labour in the Diamond Industry in India with Special Reference to Gujarat State.*" (2007) that organization need to give urgent attention on many issues like workers must get benefit of P.F., pension life insurance, health care, housing facility which will increase the productivity, need to arrange facility by which they will get educated, for training government need to start some program, they face problem of eyesight and shoulder ache etc. Even it has been observed and found that there was a lack of satisfaction, toilet facilities, proper ventilation and working environment which make them think about changing their job or organization.

Hazra A. &Malakar M (2006) have analysed in their report "*Status of Innovation in Gems and Jewellery Industry of India*" (2006) that innovation is required in the industry for the better future, but for that industry require to move towards customized product development, newer designs through designing techniques and establishing brands with assurance of quality products. In their study, they further observed that in an industry that largely, caters to the traditional demand and also modern snob market, innovation is this innovation help industry in retaining the employees or getting workers who are talented and want innovative kind of work or task. Essentially, I industry organization with limited technological changes. And many a time

Hirway (2009)Has studied in "*Impact of the Global Crisis on the Diamond Cutting and Polishing Industry in India*" (2009) that the impact of the global crisis on the workers impact all dimensions of their employment: wage rate has been declined almost half; employment in terms of hours and days has been declined by more than 40monthly income of the workers has declined by 47%. Even the facilities which they were getting at worksites have deteriorated. The employment status has changed from regular employment to casual or temporary employment. Even there was a de-skilling of work, as a number of skilled workers are forced to shift to manual or unskilled work. So, the majority of the workers are left or fend for themselves and that create a problem of reduction in food consumption, this strategy adopted by more than 80% of workers, reduction in educational expenditure. So due to the crisis, there was a problem of employment and problem of workers was taken place which was a big concern for the industry.

Vyas Pratimaben(1990):As per her study Patel community is found to be the legendary of the diamond industry. Diamond business is known as the business of lower level but rather than Patel community the people of Brahmin, Vaniya, and Rajput etc. Have also Joint this business to get an employment. Most of the diamond workers are found young,60% of the diamond workers are of between the age of 16 to 25 years and 80% female diamond workers are found between the ages of less than 20 years. As per her study out of the total studied diamond workers 30% diamond worker found child workers. Diamond business is a business of unorganized sectors so it is not providing non -financial benefits to its workers. Traditionally joint family system is providing social safety in the under develop economy. She has identified more female workers in joint family rather than male-45-diamond workers. Out of total studied diamond workers 845diamond workers are living in joint family

Challenges for Indian Diamond Industry

There are many problems diamond industry is facing nowadays but somehow, they solve it.

• **Uncertainty in Supply of Raw Material**

The diamond pipeline has been witnessing a change since the earless years of this decade.

- De beers, owned by Anglo American pls, has forecast that it will produce diamond in the line with **27.9** million carats in 2013, **14%** decline from 2011 and **43%**decline pre-crisis in 2008.
- Diamond trading company, the main source of arm of the **de beers**, the main supplier of rough diamond to Indian diamond industry and its ability to process and export rough Diamonds.
- Considering this the Indian diamond industry has started searching for new suppliers. The Russian state-owned diamonds giant **Alrosa** has struck a deal with three major Indian diamond processors.
- Diamond India, rosy blue, and ratilalbecharlal & sons have announced a us\$ 490 million deal with Alrosa to supply rough diamonds over the next 3 years.
- Under the deal, the mine will directly supply raw material to the local diamond companies, who till recently had to import raw material from Belgium and Israel.

Unorganized Market

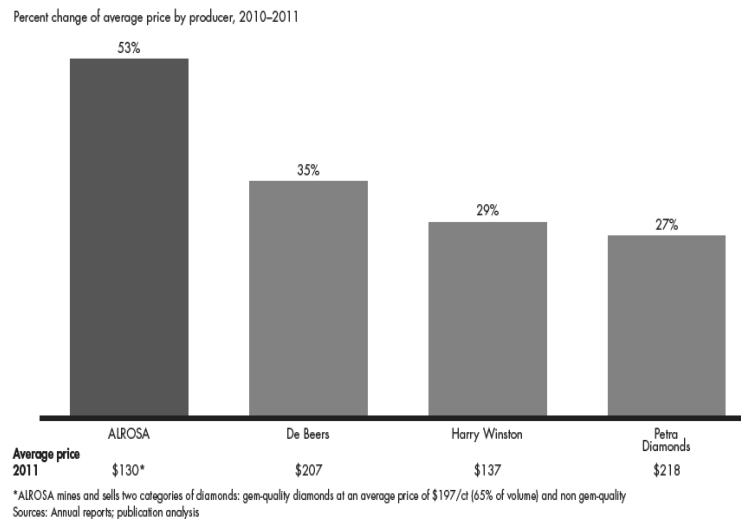
Gujarat is one of the most economically progressive provinces of the Indian Sub-Continent. Diamond Industry and the Diamond Workers have played a significant role in the high economic growth estimated at 12% SGDP per annum. It is estimated that Surat city alone employs 4.5 Lakhs in the diamond industry and roughly around 1 million people work in the diamond industry

- The Indian gems and jewellery market is highly fragmented and dominated by family owned business houses. However, the trend is set to change in near future with the branded jewellery market growing at expected CAGR of more than 41% over the next four years.
- According to market reports, with its consumption pegged at nearly 20% India remains world's largest gold consumer and this is expected to grow further. Going ahead, the organized jewellery sector is forecast to account for significant share in the country's total jewellery market.

Raising Gold Prices and Expected Rise in Diamond Prices and Falling International Demand

- Demand for loose diamonds and diamond jewellery in the united states and Europe has been affected by economic difficulties, expressed in a growing foreign debt and high employment rates, which reduced consumer spending.
- Particularly of luxury products in those countries.
- During the last decade itself, gold prices have risen almost five- fold.
- This has affected the overall cost of jewellery for the end consumer.
- It was expected that the raising gold and diamond jewellery, but in practise the season of holidays, weddings and festivals brought increasing demand and a large volume of sales of luxury jewellery in new emerging markets of India and china.

Figure 7.8: Rough diamond producers showed strong growth in realized prices in 2011



What is the process that brings diamonds to consumers?

The diamond jewellery supply chain (known as the diamond pipeline) is the process that brings diamonds from the earth to consumers. It has several different stages

- Exploration Mining Sorting Cutting & polishing
- Mining
- Sorting
- Cutting & polishing
- Jewellery Manufacturing
- Retailing

Employment

The diamond industry employs approximately ten million people around the world, both directly and indirectly, across a wide spectrum of roles from mining to retail.

Data Collection

- The study will be based mainly on the secondary data. Various sources will be tried to obtain these data like government website, research journals, newspaper etc.
- Primary data will be collected using planned questionnaire from numerous shareholders.

Conclusion

The study concludes that the diamond industry is the most important and beautiful industry in Gujarat and it deserves attention. This is an industry that employs a large pool of skilled workforce. It is less polluting, it is democratic and the worker is free to work, change jobs and have no restrictions imposed by the employer. It is the employer who walks behind the workers and is careful on his words that can retain the workers. But this does not mean that the industry needs no reform inculcating the consumption of diamond among domestic consumer. Some initiatives are already taken by GJEPC to increase diamond consumption in India. This will help in keeping the diamond industry buoyant.

Modernising the diamond industry with a skilled manpower and technology up gradation is the need of hour. Although there are Institutes like Indian Diamond Institute, Gujarat State Diamond Training Institute, National Institute of Design, a separate ITI specialising training diamond workers has to be set up in strategic location to train the semiliterate work force to cater the need of the industry. The Modular Employable Skills related to gem and jewellery can be integrated to this and train the workers. Apart from skill training there should be training on personality development, English speaking, housekeeping and computer literacy. This will help the industry to tackle the challenge posed by Chinese diamond cutting and polishing industry.

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