

# Diamond Industry and Foreign Direct Investment in Diamond Industry

<sup>1</sup>Prince Jain, <sup>2</sup>Sahil Chordia, <sup>3</sup>Vansh Lakdawala, <sup>4</sup>Jaykumar Bhandari, <sup>5</sup>Deep Kakadiya, <sup>6</sup>Prasam Dagriya, <sup>7</sup>Prof. Ankit Parmar

<sup>1-6</sup>Students, <sup>7</sup>Assistant Professor  
School of Business

Swarnnim Startup and Innovation University Gandhinagar.

**Abstract: Diamond is a solid form of the element carbon with its atoms arrange in a crystal structure called diamond cubic. India is one of the largest exports of gems and jewellery and the industry is considered to play a vital role in the Indian Economy as it's contributes a major chunk to the total foreign reserve of the country.**

## Introduction

It is one of the fastest growing sector, mostly export – oriented and labour intensive, contributing around 7% to the country GDP and 15% to India's total merchandise export. It also employees over 4.5million workers and it's expected to employee 8.23 million by 2022. India's gems and jewellery exports stood at US\$ 18.49 Billion, there by contributing about 73.42% of total gems and jewellery exports in value terms.

Foreign Direct Investment is an investment in the form of a controlling ownership in a business in one country by an entity based in another country. Foreign Direct Investment is significant for developing economics and emerging markets where companies need funding and expertise to expand their international sales. Today, India has become one of the most attractive destinations for a direct investment due to liberalize norms, easy policies, subsidy, low labour cost, market diversification, subsidized rate and preferential tariffs. . India is one of the largest exports of gems and jewellery and the industry is considered to play a vital role in the Indian economy as it's contributes a major chunk to the total foreign reserve of the country.

India contributes 29% to the global jewellery consumption. This sector is home to more than 300000 gems and jewellery player. Therefore, group of ministers, headed by Sharad Pawar decided to allow 100% in FDI in mining and exploration of Diamonds and precious stones. The Foreign Direct Investment (FDI) cap is 74% only previously for this sector.

## History

In the 4<sup>th</sup> Century BC, we find the First records of Diamonds being found in India when they were transported via the Silk Road to China. The world love of Diamond had its start in India where Diamonds where gather firm the country's rivers and streams. The Diamonds of Golkanda were the finest white diamond known for his white colour, clarity and transparency. Some of the famous diamonds are DARYA-E-NUR, NUR-AIN Diamond, and the Koh-i-noor. The Double Diamond drill the technique was present in western in India prior to 600 BCE (7<sup>th</sup> Century BCE). Diamond mining as an industry appears to have originated between 700 and 500 BCE in India. The story of the modern Diamond market really begins on the African continent, with the 1866 Discovery of Diamonds in Kimberley, South Africa. In 1870s annual production of rough diamonds was well under a million carats. By the 1920s, the figure was around 3 million carats. 50 Years later, annual production approached 50 million carats, and in 1990s it surpassed 100 million carats per year.

## Objective

1. To study the total inflow of Foreign Direct Investment FDI in Indian Diamond Industry.
2. To study the reason of sudden peak and downfall in Diamond Industry.
3. To study the impact of Foreign Direct Investment FDI the improving the quality and availibility of the goods.

## Diamond Industry

India is a labour-incentive country and in any labour incentive country it is important to use their labour in full-fledge manner, but due to rapid changes in technology, labour incentive is shifting to capital incentive, which is creating unemployment. But in diamond industry, demand of hand-made diamonds (labour-incentives) internationally is more than machine-made diamonds. It is contributing 7% to country's GDP and 15% to India total merchandise export. Employing more than 5 million people currently, it is expected to reach 8.23 million by 2022.

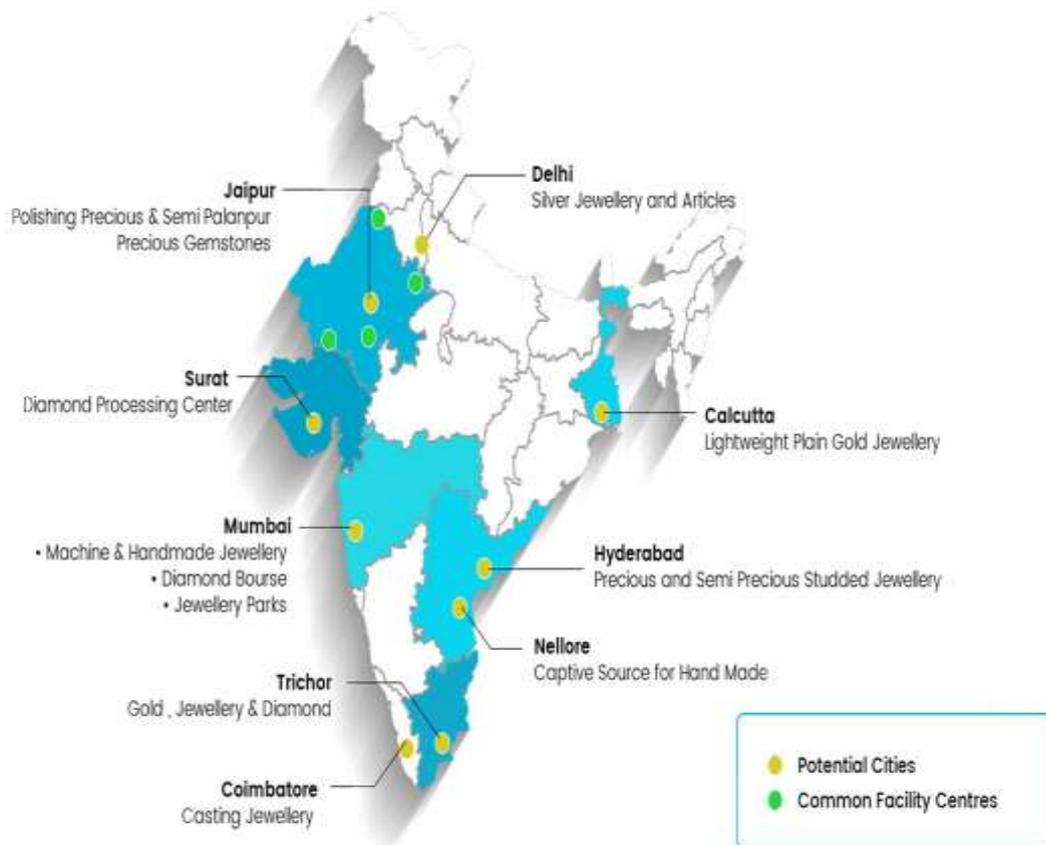


**Role of FDI in Diamond Industry**

FDI in Diamond Industry since 1991. In the Financial year 2020, FDI inflow in diamond and gold ornament across India was recorded at around 20 million US\$. The FDI inflow into this segment went up and down with its peaks in 2015 and 2018.

Year	FDI inflow(in US dollar)
FY 2012	40
FY 2013	50
FY 2014	40
FY 2015	260
FY 2016	80
FY 2017	120
FY 2018	230
FY 2019	30
FY 2020	20

- The cumulative foreign direct investment (FDI) inflows in diamond and gold ornaments stood at US\$ 1194.00 million between April 2000 and June 2021.
- In September 2021, Malbar Group invested Rs. 750 crore (US\$ 100 million) in a gold refinery and jewellery unit in Hyderabad.



## Opportunity of FDI in Diamond Industry

1. The process of mining, cutting and restructuring of diamond is done by labour incentive technique. The success of diamond industry in India because of full-fledge labour, so labour cost is very cheap. Diamond Industry has already employed 8.3 million people in 2022.
2. In India there are many available resources for mining of diamond in Surat, Jaipur, Calcutta and Coimbatore but they are not fully utilised due to low investment. So, if FDI increase they will be utilised efficiently.
3. The FDI cap for this sector stood at 74% previously but now the group of ministers has allowed 100% FDI in mining. This move is expected to facilitate the induction of modern mining technologies, which will save the time and labour cost.
4. The Indian Government has decided to allow FDI in retail outlets, meant exclusively for the single brands. The move will encourage the multinational companies to invest in Indian outlets which are famous for their premium brands like channel, Louis Vuitton and Gucci.

## Challenges

1. In diamond mining sector, there possibilities those investors can be negatively of country's natural resources.
2. In manufacturing sector, domestic company will suffer if they are less competitive and other side of it is, if they invest and buy, huge stake in Domesticated Company, whole control of the company's in investors hand.
3. Employment wages rise by FDI, then domestic company have to suffer.

## Covid Scenario

COVID-19 was a double whammy. The Indian industry already going through a slow phase with multiple issues affecting the diamond business and the spread of corona virus globally only added to the existing problem. Due to pandemic many mining companies an operations in Canada and Africa stores consuming countries gradually opening for business. Besides closer home, with Special Export Zone (SEZ) in Jaipur | Surat; and Surat hira bourse starting operations it was no looking back for Indian industry.

The India's diamond export fall to \$389.04 men compared to \$1864.56 men during may 2019, decline of 79.13%, due to the total closer of all manufacturing units for virtually the whole of April and the partial reopening of only a few units in May, there were almost no export / import during April.

Month	2019	2020	Percent (%)
May	\$1864.56	\$389.04	79.13%
June	\$1692.18	\$898.32	46.91%
July	\$1501.97	\$918.44	38.85%

## Conclusion

Diamond is a solid form of the element of carbon with its atom arranged in a crystal structure called diamond cubic. The diamond industry plays a significant role in Indian Economy. It is the one of the fastest-growing sector, mostly export oriented and capital intensive, contributing 7% to Country GDP and 15% to India's total merchandise export. India is also one of the world's largest culling and polishing industry. Surat, Jaipur, Mumbai, Coimbatore are the main hub of the diamond cutting and mining sector. Foreign direct investment also plays a crucial role because of liberalized norms, easy policies and low labour costs. In Financial Year 2020, FDI inflow in this industry across India was recorded at around 20 million US\$. The India Government has permitted 100% Foreign Direct Investment in the sector under automatic route.

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