



A CASE STUDY ON DIAMOND INDUSTRY OF GUJARAT STATE OF INDIA

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INTRODUCTION

India is no longer a major producer of diamonds, as it was in the pre-British period during ancient and Mughal times. However, it has maintained its links with diamond production, by undertaking the cutting and polishing of diamonds. Today, India is responsible for about 80 percent of diamond cutting and polishing, in the world. Raw diamonds are imported into the country and polished diamonds are then exported.

The average annual production of the diamond industry, in India, is around 78,000 carats (2005-2007). Of this, about 80 to 85 percent is exported and between 15 to 20 percent is consumed at home (CMIE 2008). The export of finished (cut and polished) diamonds increased dramatically after the adoption of trade liberalization, from US\$7,511 million in 1999-2000 to US\$19,667 million in 2007-08, indicating a compound annual rate of growth of about 13 percent (Table 1). The share of diamonds in the total commodity exports, from India, was 12.36 percent in 2007-08. About 25 percent of the diamonds were exported directly to USA, 25 percent were exported to Hong Kong, 10 percent to Belgium, five percent to Israel and around two percent each to Japan and Thailand. Since many of these countries manufacture diamond jewellery, which is then exported to USA, USA is a major buyer of diamonds; both directly and indirectly. The present crisis in USA has therefore had a severe impact on the diamond industry.

Globally, the diamond industry is organized in a value-chain, which includes a range of activities, such as exploration and mining, sorting, cutting and polishing, jewellery manufacturing and retail. Exploration and mining are done mainly in Africa (South Africa, Namibia, Botswana, Congo and Angola), Australia, Canada and Russia. These diamonds are then sorted according to size, shape, colour and quality and sent for cutting and polishing with the Kimberly Process Certificate², certifying that they are from conflict free sources. Cutting and polishing are labour intensive processes, usually performed in countries where labour is cheap. India is thus, a major destination for cutting and polishing activity. Jewellery manufacturing and retail are two high value added processes in the global value chain. Together, they account for more than 70 percent of the total value added, while diamond cutting and polishing by itself is responsible for around eight percent of the value added. India is at the low end of the value chain of the diamond industry, which is dominated by large firms like De Beers, Al Rosa, Rio Tinto, and Aber etc. India is highly dependent on the global market, both for raw materials as well as for final sales.

The global financial crisis has impacted the diamond industry in a number of ways of which the decline in the demand for diamonds in the US market and in other markets is the most important factor. This decline has resulted in large scale closure of diamond units in India. The second factor is the capital outflow from India, which has resulted in a liquidity crisis and has created a huge shortage of funds for the industry, particularly for the small units in the industry. Third, the depreciation of the rupee has raised the price of imported raw diamonds. Of the total cutting and polishing of diamonds in India, 80 percent is done in Gujarat, while diamond trading is done largely in Mumbai (Maharashtra), followed by Surat (Gujarat). Surat is the main center for diamond cutting and polishing but a number of towns and villages in Saurashtra (in the districts of Bhavnagar, Amreli, Rajkot, Porbandar, Junagad) and in North Gujarat (Banaskantha, Mehsana and Patan districts) are also centers for this activity. The crisis in the industry, has therefore had widespread impact in Gujarat.

THE DIAMOND INDUSTRY AND THE DIAMOND WORKERS IN GUJARAT

There are about 8,000 diamond cutting and polishing units in the country, employing between 800,000 to 1,000,000 workers. (RBI 2009, Government of Gujarat 2009 and Surat Diamond Association (SDA). Though, all diamond units are to be registered under the Factories Act³; according to the Government records, there are only 532 registered units, employing 127,000 workers. Of the total diamond units, about 80 percent are in Gujarat and more than half of these are in Surat. Surat, the center of the diamond industry, has more than 3,000 diamond units that employ more than 400,000 workers (RBI 2009, Government of Gujarat 2009 and SDA 2009). Surat was, therefore, selected to understand the different dimensions of the crisis and its impact on producers and workers. This involved data analysis as well as discussions with industry leaders, Government officials, experts, labour leaders etc; and focus group discussions (FGDs) with producers (small), workers and the members of their households, including women.

Diamond cutting and polishing began in India in a small way in the 1960s, in Surat, when some entrepreneurs belonging to

the Patel community started importing rough diamonds and exporting polished diamonds. The industry expanded gradually until the 1980s, when it began to grow rapidly. Proximity to Mumbai for importing raw diamonds and for exporting finished products, combined with the enterprise of Patels from Saurashtra and Jains from North Gujarat, resulted in the rapid growth of this industry. With the introduction of the economic reforms in 1991, the industry expanded further, taking advantage of the new environment.

Crisis in the Diamond Industry

The crisis in the industry started with the fall in the demand for diamonds in the US market, which accounted for about 50 percent of India's exports (directly and indirectly). The crisis in USA led to a 75 percent decline in the demand for Indian diamonds, as many traders preferred to use up piled stocks and stopped buying fresh stocks. Subsequently, the demand for diamonds also declined in the EU market, which aggravated the crisis further.

Though the crisis started much before Diwali (i.e. November 2008), the Diwali vacation became a turning point for the industry. The GEPC stopped importing raw diamonds as stocks piled up, and when the demand did not increase even at Christmas, the situation in the industry declined further. The industry felt a severe liquidity crunch, because the capital outflow had created a general shortage of credit and banks were not enthusiastic about lending to a declining industry. The depreciation of the Indian rupee, made the import of raw diamonds expensive. The depreciation of the rupee was unable to help exports, as there was a general decline in demand, in the global market.

Structure of the Diamond Industry

The structure of the diamond industry is like a pyramid: at the top are a small number of large modern factories, each employing between 4,000 to 5,000 workers; below them there are the medium units, employing up to 500 workers; and at the bottom are a large number of small units, employing up to 50 workers. The large units are registered under the Factories Act. These units are keen to be registered, as they cannot export or import directly without the DTC (De Beers Trading Company) Certificate, which can be accessed only if they are registered⁷. These large units use the latest technologies; they cut and polish the top quality of diamonds (deluxe and super deluxe quality); and have modern factory environments, with air conditioned work spaces and adequate security arrangements. Between 60 to 70 percent of their workers are temporary or contract workers. These units also sub-contract work, to smaller units, that are often located in smaller towns and villages.

Workers in the Diamond Industry

There is no accurate information on the number of units and the number of workers in the industry, because most of the units are unregistered and a large number of the workers are not on the official records. Though, there is a Gujarat High Court order that requires units in this industry to be covered under the Factories Act, (the order is ten years old), most units are not registered⁸.

As per official statistics, there are 532 diamond factories, in the state, that employ more than a 125,000 workers (Table 4). The RBI Task Force has estimated that there are approximately 6,547 diamond units in the state, employing 710,000 workers (Table 5). However, according to the Chief Inspector of Factories, Government of Gujarat, these are 'guesstimates', as the estimates do not cover units located in Jamnagar and Porbandar, and small towns like Disa in North Gujarat. Most workers in this industry are informal workers, not protected by any social security measures, either because the units are not registered or because workers in registered units are not on official records. More than 60 percent of the workers employed in large registered units are informal workers, not on the official records.

The majority of these workers are from the Patel community in Saurashtra, who have migrated to urban centers, with the help of family connections. Most units, therefore, are like family units. The Jains from North Gujarat have also migrated to diamond centers in urban areas, to join families/ relatives or kinfolk belonging to the same community, who are already in the business. In addition, there are workers from other communities like Koli, Patel, Vankar and Other Backward Castes (OBC), and workers from Maharashtra, Madhya Pradesh, Rajasthan, Bihar and Uttar Pradesh¹⁰. Most workers are barely literate, having dropped out of school. No formal training is imparted; workers are expected to acquire the skills on the job¹¹. On an average, a worker earned between Rs. 7,000 to Rs. 10,000 per month (before the crisis). Since most diamond units undertake work for larger producers or traders, workers usually float from one unit to another. Before the crisis, skilled workers were sought after by employers/ producers who offered good wages, and most diamond workers made a reasonable amount of money, considering the fact that they had hardly any education.

Global Breakdown and its impact on Livelihood of Diamond Workers: Analysis

In the introduction we already have discussed about the chronicle of the present global financial crisis and its impact on

various sector including the diamond. To mention again the diamonds, after cutting and polishing, are returned to the supplier and are ultimately exported by the businessmen engaged in the activity. As the finished product is exported, the survival of the industry depends on overseas markets, especially in view of the limited domestic demand. The diamond industry in Gujarat accounts for 72% of the world's processed diamonds and 80% of India's diamond exports. Owing to a drastic fall in export orders from the US and European countries, the two largest markets for cut and polished diamonds, the diamond industry in India has come under the grip of a global economic slowdown and has been pushed to the brink of recession. This unprecedented slack in demand has forced traders to shut their units and there seems to be no sign of recovery or improvement in the market as the US economy continues to remain in turmoil and there is no alternative to the US market. The immediate cause for concern is the large-scale layoffs of diamond workers resulting in acute distress to them. While the entire economy, both in India and the world at large, is faced with the prospect of a severe recession, the large number of workers affected in the diamond industry has begun to engage the attention of the Government and banking circles. (ibid. 2009).

Group discussion among the workers in Ahmedabad and Bhavnagar reveal that the ordinary workers have no idea of recession and how it influence. Recession known as *mandi* in local parlance is forecasted by known and even they were unaware about it's nity and gritty. During our training programme for the diamond workers support that the workers have no botheration about the economic issues. The workers get one month vacation on the eve of *Diwali* a festival observed in India especially by the business community in the month of October and November .In the year 2008 November or December the impact recession felt by the owners and as the worker joined the units before Christmas the owner tried to inform the workers regarding recession or *Mandi*. As the overseas market for diamond collapsed, the workers have to search alternative livelihood. This is how the crisis began. This is the case among workers in Bhavnagar and Surat also. One by one unit closed and many of the owners got shocked to know the recession. In Surat we also tried to understand the impact of recession on the livelihood of the diamond workers. Almost all the units were closed down for period of 3 months in Bhavnagar to 6 Months in Surat and Ahmedabad. Produced diamond could not be sold in the International Market. There was panic among unit owners as well as the workers. Frequent report in media added panic to the existing situation and workers were not in a position to forecast the length of the recession and when the industry will recover.

IMPACT OF STAGNATION ON THE DIAMOND INDUSTRY AND COPING APPARATUS

Discussion with the knowledgeable person revealed that around 80% percent of the diamond units in all the three places were closed. The unit owner were not in a position to sell the polished diamond and in many cases they have sold it at a throw away prices. While organizing the training programme for the diamond workers in the month of April 2009, it was found out that the diamond owners converted their units into alternative business mostly embroidery, garment making, mineral water bottle plants, imitation jewellery, mobile accessories and covers, incense sticks making etc. In Ahmedabad, *Manpasand* area of Bapunagar earlier was full of diamond polishing units but after the recession most of the units around 30% were converted into embroidery job work business. While discussing with few owners I asked whether they will get back to diamond polishing as it has recovered .The owner said, they are not willing to come back to diamond polishing any more. Government also tried to assist the unit owners to go for alternative business through the District Industries Centre. From the discussion it is also revealed that for the closing down of the units are consequences of global crisis; however the owner could have run the units for a while say till the diamond industry recover. Government looking at the crisis requested the Reserve Bank of India to support, guide and revive the diamond industry in Gujarat and as a result Task Force under the leadership of Reserve Bank to prepare a Report on the problem faced by Diamond Industry in Gujarat. To quote the report 'Pursuant to the deliberations in the meeting held by the Governor of RBI with the Minister of Finance, the Minister of State for Finance of the Government of Gujarat and senior officials of government and banks on February 11, 2009, a Task Force was constituted, comprising representatives of the State Government, the SLBC convener, other banks and SIDBI to look into the distress arising on account of problems faced by diamond industry in Gujarat and to make practicable recommendations for mitigating the difficulties.' (RBI 2009. *ibid.*). The Task Force recommended the following to address the problem of the diamond industry of Gujarat;

- Expeditious restructuring of the existing borrowal accounts as per RBI guidelines RBI has issued detailed guidelines for suitable restructuring of borrowal accounts. Banks will take suitable measures to expeditiously release the benefits of restructuring. In order to enhance the liquidity support to the industry, banks will examine the scope for lending against stock of polished diamonds held by units in their inventory.
- Finance for new diamond sector units for creation of employment opportunities Banks may consider proposals for credit support to new diamond sector enterprises, which will generate employment for the workers. Banks may also explore the possibility of financing procurement of rough diamonds from reputed agencies for cutting and polishing, to maximize employment of workers.

Thus, the big diamond industry owner to some extent survived despite closure due to their existing social and economic

status. But the small and medium unit owners were unable cope even after closing down their units. They have shifted to alternative business as discussed. The said discussion was important for the reason that diamond workers livelihood depends on the proper functioning of the industry only.

IMPACT OF STAGNATION ON THE DIAMOND WORKERS AND COPING APPARATUS

So far as impact of recession on the diamond workers and their family members were concerned it was extreme. Report on the various aspect of crisis of diamond workers was a regular in the print media. Group discussion with workers in the different places of Gujarat mentioned earlier reveal critical issues relating to the unemployed diamond workers and their family member. Most of the diamond workers of the first generation are semi-literate having primary education. In her study on impact of recession on diamond workers, Indira Hirway (2009) also has found the low level of education among diamond polishers. Very few of them have any idea about their place in diamond production network and from where the rough comes and where it goes. There is *information asymmetry* among the diamond miners, polishers and the retailer as well as the consumer. The worker doesn't have any idea regarding the concept of recession and what are the causes and what are the consequences. They just know how to produce more number of diamonds per day and earn more. As the units closed down suddenly the workers become unemployed immediately. The Reserve Bank of India tried to assess the growth of unemployment in the diamond industry in Gujarat. Following table reveal the details of unemployment in the diamond industry aftermath the recession.

Unemployed workers: Data

The data available on the unemployment facing the diamond industry is as under:*

Name of the District	No. of Diamond units (approx.)	No. of Diamond workers (approx)	No. of functioning units (approx)	No. of Diamond workers engaged (approx)	No. of workers who have lost their jobs (approx)
Surat	2,500	4,00,000	1,238	2,00,000	2,00,000
Ahmedabad	900	1,00,000	315	42,000	58,000
Mahesana	32	9,450	20	5,670	3,780
Banaskantha	300	20,500	90	10,000	10,500
Patan	50	2,000	37	1,500	500
Rajkot	290	39,000	90	10,000	29,000
Amreli	1,450	60,000	250	12,000	48,000
Junagadh	125	10,000	20	2,000	8,000
Bhavnagar	900	70,000	170	14,000	56,000
Total	6,547	7,10,950	2,230	2,97,170	4,13,780

{*Source: Deptt. of Labour, Govt. of Gujarat-Rough estimate based on surveys}

The above table provides the detail of unemployment arisen out of recession in respective district. In Surat around 200000 workers lost their jobs and the problems of unemployed workers of Surat was much discussed and need to be understood and addressed properly to deal encase more recession .The impact of unemployment was also equally bad in other places like Ahmedabad and Bhavnagar.The situation was such that few films were made on the unemployed diamond workers.22 The film vividly depicts how a migrant worker from Saurashtra comes to Surat to earn a livelihood and how his dream shattered due to the recession.Indira Hirway in her study capture in detail the impact of the recession and the coping mechanism. In our discussion we found the following impact on the livelihood of the workers and how they have managed to cope with the situation.

- In Surat and Ahmedabad workers from *Kathiawad* and *Saurashtra* area are engaged in diamond polishing since last 20 years or so. In many cases they even accommodate nearest relatives with them who works as diamond cutters and polishers (*Ratna Kalakar or Hira Ghasu*).80% of the diamond cutters and polisher lives in rented house. In Surat also the situation is same. Most of the workers live in rented house along with their family members. This is because very few workers saved enough to have a house of their own.Futher the workers visit his native place once or twice annually. Thus the workers have some fixed expenditure each month. As the units closed down the workers became unemployed. For a month or two the workers survived with existing resources. Every month the workers have to have an income to pay for the house rent, food and grocery, education fee if the child is in school, examination fee and other miscellaneous expenses. Recession occurred during a time when paradoxically the food inflation was high. This really put enormous pressure on the workers and their family member. One female member during group discussing suggested that they should have a facility like credit card with lesser limit. So that during crisis they would not go to others for the day to day expenditure.

- In Bhavnagar most of the workers commutes from nearby villages and hence after math of recession they went back home and engaged themselves in agriculture those having land. Some of the unit's holder invested in Cumin Seed cultivation and earned a good income to support their family members. People having no land went to Ship breaking yard at Alang near Bhavnagar to get employment. Others tried to get employment in rural area through the National Rural Employment Guarantee Schemes. Many workers who returned from Surat are now working under NREGA.
- Workers tried to cope with the recession through cut in consumption. Group discussion reveals that many diamond workers put their children in good school and colleges for education. Due to fall in income they were unable to pay the fees of school as well as education. In situation like this if fees can be waived and study material for the diamond workers provided the workers can take care of other expenses themselves.
- Many workers were unable to pay the installment for the loan they have taken for purchasing house. Premium for the insurances cover were also not paid.
- Recession has resulted in decentralization of the diamond cutting and polishing industry in Gujarat. New units are coming up in places like Keshod of Junagadh. The unemployed workers and unit owners started new units there.
- Implication of recession on present Scenario of diamond Industry: The diamond industry has started picking up in the beginning of this year. As half of the worker went back home and others had took up alternative employment; there is acute shortage of skilled workers. The workers should have been retained.
- Recession that has been responsible for huge financial losses for the unit holder and taking this as an excuse the owner are paying the same wage to the workers. There is a resentment among workers aftermath of recession regarding wage issues
- Social status of the diamond workers after recession has gone down drastically. Respondents of group discussion informed that once the dignified diamond workers now are looked down upon. Now workers are finding difficulty to arrange bride for themselves because of instability and lack of employment security in the industry. Majority of the respondent agreed that given the opportunity most of them would not like to continue in the diamond industry.
- Most of the male workers say 95 percent consume a pan masala called Mawa, tea. One mawa costs around Rs.4.00 and on an average one worker consume 4 to 5 mawa and same amount of tea. They shared that on an average they spend Rs.50.00 on such spends thrift activities. There was no financial planning and saving habit was quite low. There is low level of financial literacy. Being migrant workers they find difficulty in opening a bank account.

BANK FINANCE TO DIAMOND UNITS

The information made available by leading banks operating in the State with regard to the diamond units financed by them in various districts is as under:

FINANCE TO MICRO & SMALL UNITS BY MAJOR BANKS & SIDBI

(Amount in Rs. lakh)

Bank	Rajkot		Bhavnagar		Surat		Navsari		Valsad		Ahmedabad		Total	
	Unit	Amt.	Unit	Amt.	Unit	Amt.	Unit	Amt.	Unit	Amt.	Unit	Amt.	Unit	Amt.
BoB	5	45.00	-	-	4	34.00	-	-	-	-	-	-	9	79.00
BoI	2	75.03	16	152.37	6	28.04	2	11.37	1	2.75	-	-	27	269.56
SIDBI	-	-	1	29.79	12	287.58	-	-	-	-	-	-	13	317.37
SBI	-	-	11	66.00	21	159	-	-	-	-	-	-	32	225.00
Dena	-	-	-	-	3	946.64	-	-	-	-	1	272.00	4	1218.64
Total	7	120.03	28	248.16	46	1455.26	2	11.37	1	2.75	1	272.00	85	2109.57

(Note: All financed units are falling under Micro & Small Categories)

It may be observed that the aggregate of finance extended to diamond units by the four major commercial banks operating in the state and SIDBI works out to Rs.21.09 crore only, involving 85 units as against the total of 6547 estimated units in the state. This observation points to the fact that the units have not been, generally, obtaining financial support from banks for undertaking the cutting and polishing work.

RESPONSE OF THE GOVERNMENT

As the crisis came suddenly and in a large scale government tried to handle the problems of diamond workers and their livelihood through the existing livelihood and social security schemes as well as some new scheme as otherwise suggested by the Reserve Bank of India Task Force. Task force suggested the following for the rehabilitation of diamond workers;

RE-TRAINING, RE-SKILLING AND REHABILITATION OF DISPLACED DIAMOND WORKERS

Suitable training programmes will be organised at district level by the district administration to train displaced diamond workers for alternative employment. The district authorities may also identify and sponsor all eligible workers for appropriate financial assistance, loans under various Government Schemes. In order to address this government has started a Scheme for the unemployed diamond workers known as *Ratnadeep* skill enhancement training assistance package' during 2009. Five Institutes were short-listed that includes (1) Indian Diamond Institute, Surat (2) National Institute of Design (NID) Ahmedabad (3) National Institute of Fashion Technology (NIFT), Gandhinagar (4) Gujarat Diamond Industries Training Institute, Rakhial, Ahmedabad and (5) National Institute of Jewellery design to impart the training. The scheme proposed to provide skill based job oriented training to jobless diamond workers maximum for four months. Each trainee will get daily stipend of Rs100 (\$2). Maximum monthly stipend ceiling has been fixed at Rs2500. Training for skills such as polishing, diamond assortment, bruiting, grading, planning and marking, jewelry making etc. will be provided under the package. Curricula of Skill enhancement training module were decided in consultation with Gujarat Council for Vocational Training and Indian Diamond Institute of Surat. After completion of training the government will do necessary to ensure that trained workers get bank loan in priority through **Vajpayee Bankable** scheme, Prime Minister Employment Guarantee Programme. The aim was dual on the one hand the worker will be trained to get or start an alternative employment and on the other hand get a stipend that will help them to fulfill basic minimum necessities.

FINANCIAL RELIEF MEASURES FOR DIAMOND WORKERS SUGGESTED BY RBI

- With a view to helping the diamond sector workers to tide over the distress caused to them on account of loss of jobs, work, soft loans with elongated repayment cycle, will have to be considered, based on their identification by their employers. The diamond sector units will need to sponsor such workers to the banking system. Banks may consider rescheduling of existing housing, educational and personal loans of diamond workers on a case to case basis. Small monetary limits may be considered by banks for workers through General Credit Cards (GCCs), with relaxations, as may be appropriate. An education fund will have to be constituted to help payment of school fees of children of displaced diamond sector workers.
- Industries Department of Government of Gujarat also distributed a tool kit for self-employment like bicycle vegetable vending cart, beetle-nut shop (*pan ka Galla*) under **manav garima yojana** for taking up alternative employment. For interim support 5 kg of grocery item and oil for once was supplied to the unemployed diamond workers.
- District Industries Centre, Ahmedabad, The Saurashtra Cooperative Bank, Bapunagar and Usha-Martin Sewing Machine company came together to support the family members of the unemployed diamond workers. Manager of Saurashtra Cooperative Bank informed that it is the female members of the diamond workers that helped them to survive under crisis. The name of the scheme was 'Women Employment Scheme' especially for the female members of the unemployed diamond workers. In order to lower transaction cost to obtain the Sewing Machine the cooperative bank open a facilitation centre at the bank at Bapunagar with two women volunteer. On an average 200 application were received during the peak of recession and now only 1 or 2. Bank processed all the desired documents of the beneficiary and act as a guarantor for repayment of the loan. One instalment was made free for the beneficiary. Around 1729 sewing machines were distributed among women members of the unemployed diamond workers of Bapunagar, Ahmedabad.

CURRENT SCENARIO OF DIAMOND INDUSTRY

India's Import of rough diamond during last 10 years (values in US \$ in Million)

Item	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14(p)
Rough Diamonds	4648	8698	8767	9797	7960	9048	11994	15163	14927	16716

(Source: GJEPC India)

India's Export of Cut & Polished diamonds during last 10 years (values in US \$ in Million)

Item	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14(p)
C & P Diamonds	11163	11831	10910	14205	14804	18244	28221	23356	17431	19643

(Source: GJEPC India)

China challenges India's polished diamond throne

India's long-held position as the world's top diamond polisher is being challenged by soaring output from China, compelling the south Asian country to seek help from ally and top rough diamond supplier Russia to defend its market share.

India has traditionally relied on the middlemen in trading hubs of Antwerp, Tel Aviv and Dubai for its supply of rough diamonds, which mainly come from Russia or Africa. Most of the world's diamond output is sent to India for cutting and polishing before being retailed around the world.

But China has managed to break the established trade route by getting diamonds directly from African mines in which Chinese companies have a stake. This has boosted the value of China's net exports of polished diamonds by 72 percent in the past five years to \$8.9 billion.

While India's exports, supplied by firms such as Asian Star (ASAN.BO), Gitanjali Gems Ltd (GTGM.NS) and Venus Jewel, rose 49 percent to \$14 billion over that time, shipments have seen a sharp drop this year. As a result, China's share of the global polished diamond market has tripled to 17 percent in the past decade, according to data from the United Nations. India's share has fluctuated between 19 and 31 percent.

Diamond mining companies reduce prices under pressure

While diamantaires in the \$28 billion worth Indian diamond industry are facing problems such as severe liquidity crisis, higher inventories of polished diamonds, banks reducing loan exposure, closure of Antwerp Diamond Bank (ADB) etc., the diamond mining companies, including De Beers and Alrosa seem to have come under pressure. In the recently concluded sale at Gaborone, De Beers reduced prices by almost 3 per cent to control the rising rough diamond prices and allow the small and medium diamantaires to procure diamonds in India. Even Alrosa may follow suit as India is its biggest consumer of diamonds. India imports around \$15 billion worth of rough diamonds per annum.

Falling rupee woes

The problem faced by the industry is not only slower demand but also rupee devaluation, which affects imports of rough. In the last one year, the rupee has been devalued by 20% which is seriously affecting manufacturers' profit margins. Companies who have imported rough diamonds on credit for 90 or 120 days, keeping payment terms open, have burned their fingers as there was a sudden depreciation in the rupee which has hit profits. Companies who had dollar accounts were better insulated against the rupee volatility and had some relief, but the rest have suffered badly. The stockpiling of inventory coupled with the rupee devaluation has a severe liquidity crunch in the market. Since the recession of 2008, banks have become very cautious when lending money to the diamond industry as a whole. Slow demand has caused a stockpiling of polished goods, and consequently, the flow of money is reduced. Some movement in polished sales can really ease the situation.

Price disparity

"Unbalanced" prices between rough and polished goods are the biggest cause of worry for the industry. Polished prices are continuing to soften particularly in better qualities. Industry sources estimate that polished sales in India and the Far East have fallen by around 25% with prices reducing by some 5-10%. Buyers in America have delayed their purchases as they expect the market to soften further which has compounded the liquidity issues. De Beers reduced its rough prices by 3% in its July sight and is clearly not aligning with current market conditions.

Tushar Mangukiya, a local polished diamond trader operating from Mahidharpura diamond market, Surat, said, "Since the last three or four months polished demand has been slow, and we are facing difficulty in selling polished. Buyers are asking for unbelievable discounts on polished goods, which we cannot afford. Local buyers are holding back as the global supply chain is saturated. Polished prices have dropped considerably by around 20% in the local market. Small manufacturing units in Surat and Saurashtra are finding it difficult to survive; and many have been forced to shut down. Primarily, these small manufacturers have survived on job work, outsourced by larger manufacturers, who themselves have limited work."

Last year, Surat was flooded with rough from Zimbabwe; the goods were priced competitively so it was profitable to manufacture, however, the Zimbabwean mining companies have since increased their prices. Nevertheless, imports will continue irrespective of the shrinking profitability due to the voracious appetite of the world's biggest cutting center.

CONCLUSION AND RECOMMENDATION

The study concludes that Diamond industry is one of the most important and beautiful industry of Gujarat and deserve attention. This is the industry that employs large pool of skilled workforce. It pollutes less, it is democratic and the worker is free to work, change job at will and there is no restriction posed by the employer. It is the employer who runs after workers and is careful on his words that may retain the workers. But this doesn't mean that the Industry doesn't need any improvement. As china is entering diamond polishing business it may pose a threat to the Indian diamond cutting and polishing industry .But owner says that China will take a long time to learn this; but in the Global World Labour would move wherever they get better opportunity and along with that he will take his skill. Hence it important that this billion dollar industry has to be retains and survives for the millions of workers and other indirectly depending on this. Workforce has to be trained, modernize and the informal atelier has to upgrade them to compete with new entrant in diamond industry. Following conclusions are emerged from our study;

- On the attack of any such severe recession the diamond unit's owner should not totally closed down the industry. Rather they can employ the same number of workers for lesser number of days as well as hours. They can keep the factory open for two weeks and each day for few hours. Even if they get a less wage they will not go back to native place or switched over to any other alternative employment. This will help the diamantaries during the recovery of the industry.
- Another important point to think upon on the issue of Globalization and the way it function especially in the context of global production network where diamond industry is one such. Economic Problem created elsewhere has affected the life of workers in another world. Thus international community who consume the product produced by workers in a country like India should extend their help and cooperation for their revival instead of leaving them alone to deal the issue themselves alone.
- Modernizing 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 specializing training diamond workers has to be set up in strategic location to train the semi-literate 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.
- To train the workers on issues related to Financial literacy and Planning so that they can utilize their hard earned money properly.
- Housing facility in the line of rehabilitation of slum dwellers can keep the worker back home. A roof on the head helps workers to withstand difficulties for a prolonged period.

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