Journal of Informatics Education and Research
ISSN: 1526-4726
Vol 4 Issue 2 (2024)

Evaluating India's Small-Scale Industry: Analysis of Export Performance & Global Reach Potential in context to Gems & Jewellery and Marine sector

P Janardhana Sastry

Lecturer in Commerce, S K P Government Degree College, Guntakal Ananthapuram District, Andhra Pradesh

Email ID : pjsastry92@gmail.com

Abstract

Small-scale industries (SSIs), play a pivotal role in the economy, particularly in countries like India, contributing significantly to employment generation and per capita income stability. This study has analysed the Indian small-scale industry performance considering mainly the Gems and Jewellery (G&J) and Marine Products sectors, aiming to understand their export performance and the challenges and opportunities faced by India's small-scale industry in expanding its global reach potential.

Employing a Qualitative research methodology based on secondary sources, based on reports, statistical data and recently published journals and articles, the historical and current export performance of G&J and Marine Products has been evaluated to assess its global reach potential. The findings have emphasised sustainable practices and standard adherence as major keys to enhancing the potential reach of small-scale sectors (SSI). The paper not only provides a snapshot of the current state of India's small-scale industry in the G&J and Marine sectors but also lays the groundwork for future actions towards sustained growth and heightened global competitiveness.

Keywords: Small-Scale Industry, Export Performance, Global Reach, Gems and Jewellery, Marine Products

Introduction

Small-scale industry indeed serves as the backbone for any developing nation. Being with the requisite of manageable investment and regulation these industries embody the essence of grassroots entrepreneurship to foster local economic development. In India as per the Ministry of Micro, small and medium enterprises (2022), a venture qualifies for small-scale industry when the investment in such units doesn't exceed rupees one crore. In most cases, these are the ancillary units of major manufacturing sectors or large corporations. However, the ancillary nature of the small-scale industry has crippled our growth potential. With the formation of Neeti Ayog, the Indian government has realised the importance of this industry's upgradation, expansion and development in an individual capacity. The government has formed an apex committee to review its growth potential and global reach in the year of 2019. The report has emphasised strengthening the MSMED Act 2006 so that a harvesting environment could be paved for the efficient flow of credit and procurement of services and products of the small sector could be achieved. Even with the aim of technological and infrastructure upgradation main objective of the small-scale industry revolves around creating job opportunities, particularly in rural areas, addressing unemployment challenges and contributing to overall societal welfare (BHUVANESH KUMAR & PUNITHAVATHI , 2014). Hence while evaluating the export potential there should be an effort to create a connecting link between the SSI product and services and its global reach. A straight distribution channel for its global reach, with the elimination of intermediaries, will ensure better channelling for finance and the development of infrastructure in the area, which will lead to paving the path for the sustainable and self-reliant growth of these sectors. Hence small-scale industries play a pivotal role in the development of rural economies, serving as catalysts for growth and prosperity in these regions. Their establishment actively works towards reducing regional imbalances within the nation, ensuring a more equitable distribution of economic activities and opportunities. In the Indian economy, these industries hold a crucial position, being major sources of employment, accounting for approximately 40% of total goods and services (Arshad et al., 2023). Their significance extends to supporting initiatives like Make in India, fostering the production and demand for locally made products. Additionally, they substantially contribute to India's exports, with around 50% of exported materials originating from small-scale industries (CII,2020).

Considering the growth potential some of the SSI's sector has depicted individual growth of their own, rather than ancillary to large manufacturing or corporate organisations. These sectors are namely gems and jewellery (G&J) and marine product (MP) sectors. For the year 2023, the Gems and Jewellery industry, along with the burgeoning India Aquaculture & Marine Products Market, is valued at USD 922.61 Million, which projects a promising potential in both these sectors (CII, 2020). One of the major reasons to select G&J and MP for research on export potential and global reach

of the MSME sector is the fact that these sectors have shown individual growth rather than the manufacturing, apparel and service sectors of SSI which are ancillary to the large-scale manufacturing sector (Fuentes et al., 2015; Hines et al., 2019; Joo & Min, 2022; Kaushik & Singh, 2019; Kumaran et al., 2021).
Discussing Gems and jewellery(G&J), it contributes to 7% of the country's GDP and employs over 4.64 million workers, with a 7th position in global standing for India. It mainly holds substantial market shares in categories like diamond jewellery, silver-cut diamonds, and lab-grown diamonds (Dutta et al., 2020). The talent for crafting has also been narrowed to a specific niche of jewellery entrepreneurs. Therefore while evaluating its export potential and global reach there is a need to encourage local craftmanship in a manner that global needs and local deeds could be aligned.
In the case of the marine sector, it has played a key player in India's fishing and aquaculture landscape and ranks third globally. Notably, the USA constitutes the largest importer of Indian marine products, further emphasizing the sector's global significance (CII, 2020). However, the marine location-specific business of this sector restricts its expansion to small cities and land areas. Therefore on a prima face level, it could be construed that both of the sectors have witnessed immense growth potential at the individual level. but considering the MSME committee report, which emphasises on aim to connect global needs with local deeds, the location dependency and lack of capacity building are the main hurdles that bubbled over the year in the case of Gems and Jewellery (G&J) and Marine product(MP) venture in SSI (Shetty & S., 2022). Hence there is a need to evaluate the export performance of this sector to analyse their global reach to connect same with local expansion and expertise building. Hence, this research aims to comprehensively assess and understand the export performance of Gems & Jewellery (G&J) and Marine products within India's small-scale industry (N., 2020; Navya Vikraman Nair & Prateep Kumar Nayak, 2023; Patil, 2020; Ramya & Jegan, 2020). Additionally, the research aims to analyze the various challenges and opportunities encountered by India's small-scale industry in its endeavour to expand its global reach. By addressing these objectives, the research seeks to provide valuable insights that can inform strategies, policies, and initiatives aimed at fostering the growth and sustainability of these sectors on the global stage.

Literature Review

According to Mohapatra (2020), the SSI sector of India performs more than 6000 products and contributes to 8% of GDP. The sector contributes 40% of the exports of the country. The MSME Report 2020 states that the high export performance of the SSI is mainly due to three major sectors namely garment, Gems jewellery and leather products. The garment and leather product industry has been ancillary to the main manufacturing apparel industry, which has exported SSI products as their material goods. However, Gems and jewellery have shown an independent, high export performance for the year 2019-2020. The Author has further used the Tobit model to estimate the export potential of SSI sectors and emphasised marine product export potential with significance level 10 for coming decades.
BHUVANESH KUMAR and PUNITHAVATHI (2019) have stated that India has established itself as the largest manufacturer of cut polished Gems and jewellery with a 60% supply of uncut unpolished and uncut materials to the world. The paper has further stated that looking at its growth potential the Indian government has declared it as a thrust area for export. The paper has analysed the 5-year export data from 2012-2017, to understand the trend analysis of the export performance of the Gems and jewellery sector. which has shown a compound growth of 51% in the sector. The paper has also suggested the need for capacity-building initiatives for gems and jewellery workers to make it a more employable sector and increase its outward export and inward reach for skill, employment and SSI upliftment in various geographical regions of India.
Ramya and Jegan (2020), have stated that marine exports have gradually increased over the years, but have shown a promising and diversified growth potential. The paper has stated that exporting is the need of the hour for the SSI marine sector of India, hence India should explore versatile export options by understanding global demand and market trends. The paper has emphasisied on the requisite traning of the sea product exporters to understand the current market and potetial threat in global market.
Patil (2020), stated that to improve the ecport performance and the global reach of the SSI sectors, there is a need for adaptyion of Innovations and advancements in the operation and organization of SSIs are paramount for enhancing their export performance. Strengthening backward linkages becomes imperative to augment SSI exports by minimizing wastages. Additionally, initiatives such as Training Skill and Development programs and biannual workshops between exporters and export promotion councils are necessary to create awareness about various schemes facilitated by the Government of India among SSI exporters.
Hence based on the above discussion on lietrtaure review. the research has considered the following objectives namely:

1 To analyse the export performance of G&J and Marine products.

Journal of Informatics Education and Research
ISSN: 1526-4726
Vol 4 Issue 2 (2024)

2 To analyse the challenges and opportunities faced by India's small-scale industry in expanding its global reach potential.

Research Methodology

The research methodology opted is based on secondary data sources to conduct a thorough analysis of the challenges and opportunities encountered by India's small-scale industries in their global expansion arena.
To analyse the aim of the research, the paper has reviewed the government, public and private sectors' recent reports on MSME export performance. The report's data has been analysed in the light of journal and research findings to understand their export performance and challenges and opportunities in its global reach.

Analysis & Discussion

Considering the various reports and data, it could be construed that. India's gems and jewellery exports have expanded substantially, constituting 3.5% of the world's total exports. Considering its present export potential, India leads in the export of various categories, with diamond jewellery holding a 29.0% share, followed by silver-cut diamonds, lab-grown diamonds, and synthetic stones with 22.0%, and 32.7%, respectively. This growing export of gems and jewellery sector has also influx high foreign exchange reserves for India. However, the SSI of G&J is ventured to only certain locations in India, which are mainly cities and metros (CII, 2020). In the fiscal year 2021-2022, marine product exports surged by 30%, reaching 1.36 million MT with a value of USD 7.76 billion (Arshad et al., 2023). Considering the data the following section has discussed the export performance of the G&J and MP sectors to understand the challenges of SSI sectors.

Export Performance of Gems & Jewellery Sector

The gem and jewellery sector, as an export-oriented industry, has evolved into a significant economic force in India. The evolution of the gem and jewellery industry can be attributed to shifts in the Indian government's ideology over different periods, accompanied by various policy reforms. Notable among these reforms are the introduction of export incentive schemes such as Replenishment License and Advance License. Additionally, initiatives like the Diamond Dollar Account Scheme, Market Development Scheme, Duty Exemption/Remission Scheme, and the establishment of Special Economic Zones (SEZ) have played crucial roles in shaping the industry's growth and enhancing its global competitiveness (Dutta et al., 2020).
The implementation of these measures resulted in a remarkable growth in gem and jewellery exports. The data illustrates this progression vividly, with gem and jewellery product exports starting at a modest US$62 million in 1969-70 and experiencing substantial increases over the subsequent years. By 1979-80, exports had surged to US$887 million, and this upward trend continued, reaching an impressive US$6.23 billion in the following decades. The Industry has persisted in growth with an additional export of US$14.63 billion in the last decade, bringing India's gem and jewellery exports to a remarkable US$39.52 billion in 2021-22. This sustained growth underscores the effectiveness of the policies and reforms implemented in fostering the expansion of the gem and jewellery sector on the global stage (CII, 2020). The Gems and jewellery export performance of India could be summarised with the following figure :

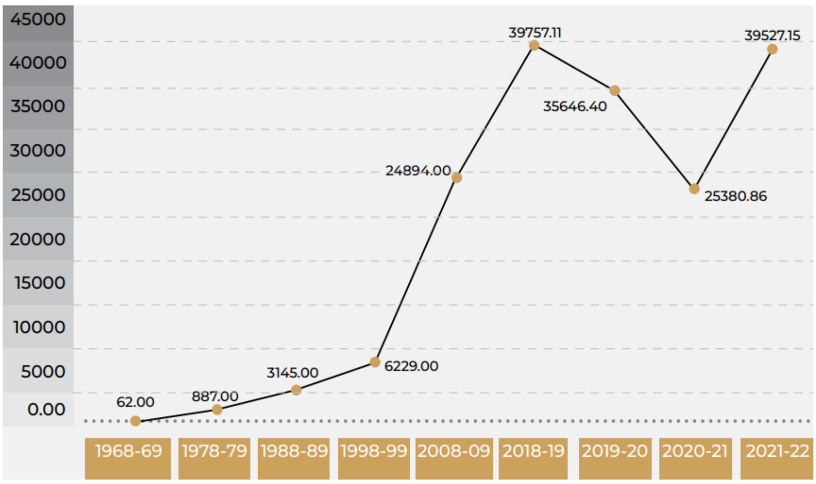

Figure: Gems & Jewellery Export (Source: GJEPC)

Journal of Informatics Education and Research
ISSN: 1526-4726
Vol 4 Issue 2 (2024)
However, the gem and jewellery sector, despite maintaining an average export level of US$36 billion, recognizes the imperative for a robust export strategy. The sector holds an untapped potential of US$31 billion, necessitating strategic initiatives to unlock growth. Stagnant at US$36 billion over the past 8 years, breaking this plateau becomes crucial. The impact of the global COVID-19 pandemic was evident as exports plummeted to a historic low of US$26 billion in 2020-2021 (Kumaran et al., 2021). Swift recovery is imperative to safeguard against unemployment, income loss, and foreign exchange depletion, aligning with broader economic interests. Given its significance in employment and exports, the sector plays a pivotal role in realizing the government's ambitious goals, including Make in India and a lofty export target of US$400 billion for 2021-2022 (CII, 2020). Hence, formulating an effective export strategy is imperative to propel the gem and jewellery sector to new heights, aligning with national economic objectives.

Development of India's Small-Scale Marine Product Industry and performance of Marine products

The Indian aquaculture and marine products market is poised to lead the market, driven by the increasing demand for marine products in India, catering to both domestic consumption and export markets. India, as the world's second-largest fish-producing nation, contributes 7.56% to global fish production and sustains over 50 million livelihoods (Dutta et al., 2020). The fisheries sector has experienced a 7% growth rate in recent years. In 2019–20, the sector's exports were valued at INR 46,662.85 crore, indicating significant potential for further expansion (Kumar et al., 2021). To unlock this potential, robust financial and policy interventions are essential for ensuring sustainable growth. The growth of the marine sector could be summarised as follows :

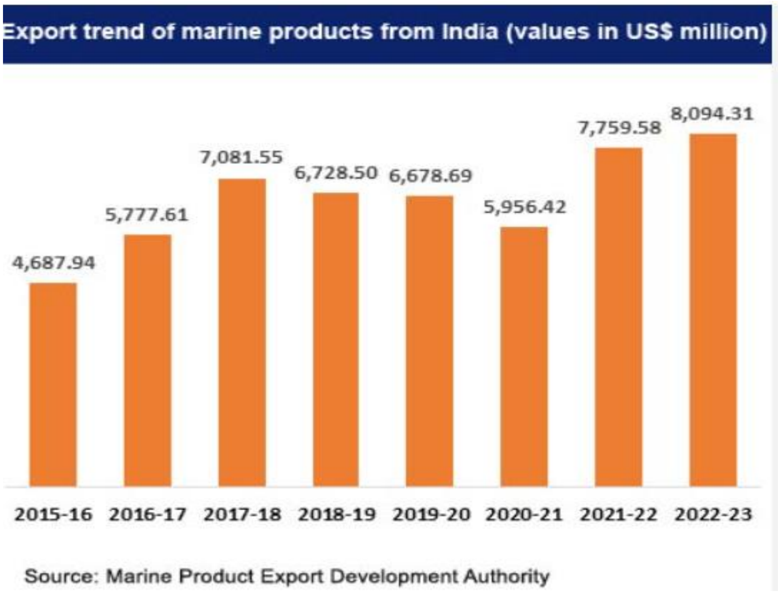

Figure: Marine products exported by India from 2015-2022 (Source: Marine product export development authority)

The fisheries sector plays a crucial role in the socioeconomic development of the nation by offering livelihood opportunities to millions. Additionally, revitalizing the blue economy can contribute to mitigating the impacts of climate change. The interconnectedness of the blue economy with various sectors means that any changes in terms of economic, social, and environmental growth will have wide-ranging effects (Kumar et al., 2021). Conservation and development of intangible 'blue' resources, including biodiversity preservation, carbon sequestration, sustainable fishing, and efficient marine logistics, have implications for multiple markets and user demographics (N., 2020). Hence, a well-planned and sustainable approach is imperative to harness India's extensive marine resources effectively. This strategic implementation is crucial for ensuring the long-term growth and sustainability of the fisheries industry in the country.

The export performance of both sectors paves a promising ground for their global reach. however, the SSI has its challenges which need to be considered to understand the obstacle in global reach.

Challenges and opportunities of small-scale Industry in India

India’s SSI sector has encountered both unique and general challenges. Predominantly, financial constraints impede initial investments required for global standards compliance, training, and capacity building. While government incentives exist, specific financial aid is imperative for global outreach.

In the sector like G&J and MP,SSI can leverage the standard practices to improve its global reach. At present both sectors are mainly exporter for the unfinished products to the major exporers like USA. The finishing or final product for these SSI goods is assembled at the export country. Hence the export value drastically decreases due to lack of required training, and capacity to adhere to International standards. Hence, Capacity building and technological upgrades are vital for local expansion. Advanced cold chain facilities in marine sectors can mitigate geographical limitations. Sustainable practices improve supply chain resilience and employment prospects. Hence addressing financial limitations, embracing sustainable practices, and prioritizing quality standards while leveraging market insights can propel India's SSIs towards successful global reach of the products.

Conclusion

India's small-scale industries in the gems & jewellery and marine sectors have significant export potential, provided they strategically address sustainability, quality standards, and market research. Embracing sustainable practices can set these industries apart, especially in a global market increasingly conscious of environmental and social issues. Adhering to stringent quality standards is essential for building trust and ensuring the competitiveness of Indian products. Additionally, a well-informed approach through market research enables small-scale enterprises to tailor their offerings to specific global market demands, fostering successful international expansion. In conclusion, a comprehensive and strategic approach, balancing initial investments with long-term gains, is crucial for unlocking the global reach potential of India's small-scale industries in these sectors.

References

[1] Arshad, M., Muhammad Moazzam, Muhammad Mustafa Raziq, & Ahmed, W. (2023). Linking the willingness of smallholder dairy farmers to adopt minimum food safety and quality standards to the country’s export potential. *International Journal of Food Science & Technology*, *58*(10), 5557–5567. https://doi.org/10.1111/ijfs.16539

[2] BHUVANESH KUMAR, N., & PUNITHAVATHI , S. (2014). A STUDY ON COUNTRY WISE EXPORTS OF GEMS AND JEWELLERY FROM INDIA. *INTERCONTINENTAL JOURNAL of MARKETING MANAGEMENT*, *2*(2), 1–13. https://web.archive.org/web/20180422020509id_/http://researchscripts.org/feb_2015/IJMM/20201516.pdf

[3] CII, I. (2020). *Inside This Issue Focus of the Month: Gems & Jewellery: A Sector with High Potential Gems & Jewellery: A Sector with High Potential*. https://www.eoilisbon.gov.in/docs/1613021865Economy%20Matters%20December%202020%20-%20Gems%20&%20Jewellery.pdf

[4] Dutta, G., Kumar, R., Sindhwani, R., & Singh, R. K. (2020). Digital transformation priorities of India’s discrete manufacturing SMEs – a conceptual study in perspective of Industry 4.0. *Competitiveness Review: An International Business Journal*, *30*(3), 289–314. https://doi.org/10.1108/cr-03-2019-0031

[5] Fuentes, E., Faure, G., Cortijo, E., Erwin De Nys, Bogue, J., Gomez, C. A., Mercado, W., Gamboa, C., & P.-Y. Le Gal. (2015). The impacts of differentiated markets on the relationship between dairy processors and smallholder farmers in the Peruvian Andes. *Agricultural Systems*, *132*(2), 145–156. https://doi.org/10.1016/j.agsy.2014.10.003

[6] Hines, P., Holweg, M., & Rich, N. (2019). Learning to evolve: a review of contemporary lean thinking. *International Journal of Operations & Production Management*, *24*(10), 994–1011. https://doi.org/10.1108/01443570410558049

[7] Joo, H.-Y., & Min, H. (2022). Assessing the impacts of government environmental policies on the small and medium-sized firm’s performances in Korea and China. *Benchmarking: An International Journal*, *2*(4). https://doi.org/10.1108/bij-12-2021-0754

[8] Kaushik, A., & Singh, D. (2019). Performance evaluation of advanced manufacturing technologies in small and medium enterprises located in Northern India. *International Journal of Business Excellence*, *1*(1), 1. https://doi.org/10.1504/ijbex.2019.10029510

[9] Kumaran, M., Geetha, R., Antony, J., Vasagam, K. P. K., Anand, P. R., Ravisankar, T., Angel, J. R. J., De, D., Muralidhar, M., Patil, P. K., & Vijayan, K. K. (2021). Prospective impact of Corona virus disease (COVID-19) related

lockdown on shrimp aquaculture sector in India – a sectoral assessment. *Aquaculture*, *531*(5), 735922. https://doi.org/10.1016/j.aquaculture.2020.735922

[10] Mohapatra, S. M. (2020). Export performance of micro, small, medium and large enterprises of Indian manufacturing sector. *Journal of Public Affairs*, *2*(5). https://doi.org/10.1002/pa.2480

[11] N., M. (2020). Internationalization and Innovation Capabilities Determine Export Performance of Indian Auto Component Manufacturing Industry. *Gurukul Business Review*, *16*(1). https://doi.org/10.48205/gbr.v16.4

[12] Navya Vikraman Nair, & Prateep Kumar Nayak. (2023). Uncovering water quality and evaluating vulnerabilities of small-scale fisheries in Chilika Lagoon, India. *Journal on ProQuest Management*, *10*(2). https://doi.org/10.3389/fmars.2023.1087296

[13] Patil, S. (2020). Analysing on challenges in export : SSIs in India . *UGC Care Listed Journal* , *68*(49), 2–8.

[14] Ramya, R., & Jegan, P. (2020). EXPORT PERFORMANCE OF MARINE PRODUCTS FROM INDIA. *International Journal of Management (IJM)*, *11*(5), 2020. https://iaeme.com/MasterAdmin/Journal_uploads/IJM/VOLUME_11_ISSUE_5/IJM_11_05_230.pdf

[15] Shetty, M. O., & S., G. B. (2022). A Performance Analysis of Indian MSMEs. *International Journal of Applied Engineering and Management Letters*, *5*(2), 197–216. https://doi.org/10.47992/ijaeml.2581.7000.0153