

# Synchronising Our Demands

I recently heard of an industry spokesman presenting a hypothesis wherein he justified a reduction in the import duty through an increase in the GST rate for sale of gold jewellery. I am quite sure no member of the association he represents would endorse such a view, as no 'right-thinking' jeweller would ever present such a contorted view. Incidentally, the same person has written a letter to the government authorities suggesting that GST be applied to the barter of gold, (i.e. GST to apply on the sale of gold jewellery by customers). Are the members of the association in agreement with this? Do they really want to have the government apply GST on the purchase of old gold jewellery from customers?

During the days of the strike against excise one association proclaimed its acceptance of excise on the gold industry. Did the leaders of the association have the mandate of the members to accept the implementation of excise? Methinks, no. The officials at the Reserve Bank of India insist that the infamous 80:20 scheme for the import of gold was suggested by industry representatives and was not their brainchild. Did those representatives have the requisite approval of their members for such a ludicrous suggestion? Methinks, no.

More recently, while the Domestic Council was being formulated by the Ministry of Commerce and Industry, one witnessed a handful of differing opinions by the so-called national apex trade associations as to how the Domestic Council ought to be set up. Once again, benefits of trade were sacrificed for the gain of select individuals. I suspect this too was not sanctioned by the members of the association and was opinion of the individuals.



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Now intersperse this information from the perspective of any government official. See, if you may, the frustration that is created from their viewpoint. First a respectable industry member presents a proposal. This proposal is debated internally and is acted upon and policy is formed around it. After implementation, the rest of the industry is up in arms opposing the policy, citing it as 'against national interest and the growth of the industry'. For the government official, it seems to be a 'lose:lose' situation,

wherein if he makes a decision, he loses. And if he makes no decision, he still loses. Obviously, and rightly so, this plays a large role in creating a negative perception of our industry, as it is we that are responsible for the image that it carries. We are to blame. Having recognised this, how and what should be done to mitigate this? What are the steps that each of us, individually, may do to stop such type of miscreants and mischief at that cost of our industry? While 'transparency' of the leaders of the various associations is the obvious answer, the question is 'how'? This was best answered by Hem Pande, retired Secretary, Ministry of Consumer Affairs, in the recently held meeting of the PHDCCI Gems and Jewellery Committee and has been noted as thus in the minutes of the meeting.

He suggested that all the leaders of the various associations form a ten-point common agenda. This agenda should clearly mention the ten most important issues plaguing the industry. Equally important is that the justification behind the concerns should also be agreed upon. This would help remove any confusion whilst interfacing with any Government Ministry or agency and would further serve the interests of the industry as all association leaders would confine their demands to the common agenda which they themselves have helped articulate.

To this affect, I would suggest the following common agenda to be as follows:

1. Remove the concept of the RBI Nominated Agencies for the import of gold and permit any/all stakeholders to import gold, as doing so would enable price efficiencies for procurement of gold thereby increase exports also.

2. Create a 'Gold Board' in which all the various stakeholders that impact gold in India are members of including, but not limited to, the Reserve Bank of India, Ministry of Finance, (Economic Affairs, Financial Services, Expenditure and Revenue), Commerce, Consumer Affairs, SEBI etc. This would help policy formation aimed at uplifting the industry and increasing its contribution to the nation's economy and creating jobs.

3. Presenting a hypothesis to the Government/RBI delineating the importance of gold imports for the nation, thereby delinking gold imports from any debate regarding the current account deficit, while initiating a debate on reclassifying gold imports from the current account to the capital account. The gems and jewellery industry contributes 7% of the GDP and 16% of the merchandise exports of the nation while providing 61 lac jobs and is constituted 90-95% by MSMEs. Import of gold is imperative for our nation as it not a needless luxury product, but one that contributes to the economic growth of the nation.

4. Boosting exports by creating a B2C, (direct to the customer), export policy, thereby increasing the value addition on exports. To permit sales against foreign exchange to tourists as export sales and using the GST framework to refund the import duty and GST tax component immediately to the customer/seller.

5. Evaluate the proposed hallmarking legislation by making it synonymous with international legislation and integrating industry to help promote hallmarking of jewellery throughout the nation. This should be done with a clear intention to aid the growth of the industry and not throttle trade, thereby embracing 'Ease of Doing Business'.

6. Promote gold mining and refining in the nation by reviewing the current laws so that India can replicate its success as the 'diamond-cutter to the world' and to be the 'gold refiner of the world'. Gold mining would help provide jobs in rural areas while also



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saving precious foreign exchange, however, the current laws need to be changed to encourage foreign investment in this sector.

7. Set up a Bullion Exchange so that gold is freely transacted throughout the country and to help India becoming a participant in determining the international price of gold. This would also increase the efficiencies in the use of gold throughout the nation.

8. Ensuring that banks provide the Gold (Metal) Loan to borrowers, thereby taking advantage of the low interest rate for providing inventory financing at 2-4% per annum. This should be sanctioned in the weight of gold, thus remove the mark-to-market to ensure stability in inventory levels and also permit its renewal on 'paper', as is done with Working Capital Limits, rather than the current method of closing the GML and reimporting gold for the borrower. Other issues relating to the GML also need to be addressed so that it becomes a robust financial product from the perspective of all the stakeholders, banks, borrowers and the RBI.

9. Create a Domestic Council that becomes the representative of the industry for all matters pertaining to the gems and jewellery industry. The Domestic Council should aim to represent all stakeholders of the industry and should be an 'Association of Associations'. This would also help 'bind' the industry as all associations would be able to co-exist with the Domestic Council.

10. Help review the Gold Monetisation Scheme, (GMS), and aid the government with the launch of new financial products relating to gold. The Gold Savings Account should be introduced by replacing the Sovereign Gold Bond Scheme. The industry should be integrated for increasing the deposits for the GMS.

While a ten-point agenda is what I am suggesting and I have offered my opinion of the same above, I would like to mention that if this ten-point agenda were to be reduced to a single-point agenda, this would create precision in the industry view-point and would compel the policy makers to take notice and implement the same. Realising this, I would humbly suggest that every industry leader ask the government for the implementation of the recommendations of the Watal Committee Report, "Transforming India's Gold Market", as this report is all-inclusive and deals with all the concerns mentioned above in great detail and is aimed at increasing the size and the economic contribution of the industry to the nation. ■



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