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GOLD JEWELLERY INDUSTRY OF BANGLADESH
GROWTH POTENTIAL AND EXPORT FEASIBILITY

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Cover

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SUMMARY

The gold jewellery industry of Bangladesh is one of the oldest industries of the country. The artisans of this industry have a long reputation as producers of the finest quality gold ornaments and jewelleries.

Gold Jewellery industry in Bangladesh is a highly labour intensive industry which employs about 2-3 lakhs of artisans and a large number of labour for carrying out the retail trade in the local markets. The industry's investment-employment ratio is the lowest compared with many other industries.

Though it is one of the oldest industries in the country it has not developed to its desired potential because of certain limitations which involved the non availability of gold to the business, financial support and a local market. As a result the industry has not developed in the area of technology, production process, designing and innovation of jewellery products.

The major constraints faced by the jewellery industry in Bangladesh is the supply of gold which is banned from import. Apparently whatever gold is available to the jewellers and artisans comes mostly from the customers who bring their ornaments for transformation of designs.

The state of technology has become not only out dated but also inadequate as far as the production process, tools, accessories and chemicals are concerned. The main tasks in the making of jewelleries are performed with hands using only a few time old hand tools. As a result the process does not help in overcoming some quality problems which could have taken care of through improved process. The experience of the retail jewellers and

artisans in jewellery business ranges between 3 to 30 years. About 50 percent of them have been in the retail trade for 3 to 10 years. The major customers of gold jewellery in Bangladesh include regular customers, wedding parties and foreigners.

While design changes play a significant role in the jewellery industry the sources of design changes are quite limited and include mostly the artisans' own imagination, as well as those provided by the customers. The products involve those with oriental designs and include such products as chains, necklaces, earrings, rings, bracelets and anklets etc. The jobs are performed in such a way that in finishing a particular jewellery item it has to involve quite a few hands and as such no one specializes in any complete item, but they specialize in specific operations.

The jewellers in Bangladesh have never been in export business and as such none of them has any experience of export. A large section of the jewellers interviewed indicated that the government policy in this sector poses a major constraint in the area of growth and development of local markets as well as in the export of gold jewellery from the country. However, a large proportion (about 80%) indicated their desire to be in the export business if the desired assistance in the form of supply of gold, tools and accessories, finances, marketing information are provided to them.

Finance has been indicated by some as a major constraint, next to the supply of gold by many. In the absence of any institutional finances these retailers have to depend solely on the funds available from family sources, friends and profits from their business. Further they also indicated that the taxes levied by the government as well as the rules and regulations imposed on this trade deters the pursuance.

Under the present circumstances the growth and development of gold jewellery have not much prospect in the local markets. However, opening up of export channels in this sector may help the industry to grow as a result of having a broader profitable market. The export trade in gold jewellery will not only help in the earning of valuable foreign exchange for the country but also would provide the security of jobs for the already employed 2-3 lakhs of artisans in this sector.

A review of the secondary data on the demand for gold jewellery in selected export markets indicates that there exists a great potential for exporting gold jewellery of both machine made and hand crafted. The volume of exports in these countries has been showing a persistently increasing upward trend. For example imports of Dubai, Abu Dhabi during 1977 to 1983 increased from US \$ 4.736 million, US \$ 3.759 million to US \$ 85 million and US \$ million respectively and in case of Saudi Arabia the rise was from US \$ 271.41 million to US \$ 696.14 million.

The principal exporters to these markets are Italy, India, Hongkong, Lebanon and Switzerland. India exported gold jewellery worth US \$ 72 million during 1984-85 and with the introduction of the gold replenishment scheme she expects to increase her gold jewellery export to US \$ 170 million by 1986-87.

Bangladesh has in the recent months announced a gold jewellery export scheme which provides for the supply of gold under any one of the following schemes viz., gold replenishment scheme and the advance supply of gold bars from the importers. The scheme also provides for import of tools, accessories and chemicals to be used in the production of gold jewellery which hitherto have been prohibited from import. These facilities will, however be available only to those who will be participating in export

trade under the proposed scheme. But before the scheme can be operationalized there are certain important and pertinent issues which have come out through the present study which need to be resolved first.

Since the jewellers have so far operated in the local markets and have no experience and knowledge of export before launching the scheme for exporting gold jewellery these jewellers would need some information about the production processes of the exporting countries, expertise and training in using the tools and accessories in producing jewellery of exportable standard and knowledge about designs of jewellery currently in vogue in the importing countries markets.

Finally in order to make a successful inroad into the importing countries markets and to face the competition from the already established exporting countries a marketing strategy appropriate in terms of design, quality, volume and promotion of Bangladeshi jewellery has to be developed before launching the export of gold jewellery from Bangladesh.

I. INTRODUCTION

1.1 Background

This study was undertaken at the initiative of MIDAS as a part of its scheme to help promote the growth of small industries sector in Bangladesh - to determine the present status and the feasibility of exporting 'Gold Jewellery'. Since the markets in the Middle East have been showing a steady increase in their imports of gold jewellery over the last few years it is considered that the jewelleries from Bangladesh have a great potential for exporting to these markets.

Bangladesh is one of the countries in South and South East Asia which is traditionally known as producer of finest quality gold ornaments and jewelleries. The artisans who have long experience in making the finest jewelleries once are still available in most areas within the country. Though the industry had never had the opportunity to grow to its fullest potential because of certain obvious reasons e.g., the non-availability of raw material through import, poor socio-economic status of artisans and a small local market etc. it still has the potential to grow rapidly if it could be organized through systematic and planned approaches.

In April, 1981 a team comprising the officials of the Export Promotion Bureau and representatives of the local gold jewellery trade visited Dubai and Abudhabi in connection with Export Fair held there. It was felt by the team during their visit that there exists a demand for the kind of jewelleries that Bangladesh exhibited in the fair in the country concerned and that there exists a potential for exporting gold jewelleries in that market. The feeling of the team was, however, based on their discussions with the local gold jewellery importers.

In 1985 during the month of July another team consisting of officials of the Export Promotion Bureau, Bangladesh Bank along with a representative from gold jewellery trade visited three Middle East countries viz., Dubai, Abu Dhabi and the Kingdom of Saudi Arabia. The team undertook an exploratory study of these markets in order to determine the feasibility of exporting gold jewellery from Bangladesh. The team were supposed to visit India, Pakistan and Thailand in order to study the production processes of these exporting countries which for some reason could not take place. The members, however, recommended that there exists a great potential for the export of gold jewellery from Bangladesh.

In 1985 Bangladesh Bank for the first time formulated a scheme outlining the guidelines and procedures for exporting gold jewellery from Bangladesh titled as "Jewellery Export Scheme".

Information available from the published sources (ITC bulletins) and the tour notes of the earlier teams which visited the importing countries indicate that many Asian countries like India, Pakistan and Hongkong have already made significant inroads in those countries and have captured large share of markets. For example, India's total value of gold jewellery exported to these market in 1984-85 amounted to US \$ 72 million.

Since the quality of workmanship, design and style of jewellery from these countries resemble that of jewellery manufactured in Bangladesh it is assumed that there exists a good potential for the export of gold jewellery from Bangladesh to these countries.

The main focus is still on the markets in the Middle East countries and as such no other countries have come under consideration of those parties who are considering seriously

the possibility of importing gold jewellery from Bangladesh. To start with, Bangladesh desires to make an entry into the markets which still predominantly import gold jewelleries rather than artificial jewelleries. Further, the competition in the Middle East countries is still considered not that severe for Bangladesh to make an access into the markets of these countries.

Of late Bangladesh has, through confiscation acquired the ownership of quite a sizeable amount of gold which were brought by individuals illegally into the country.

This gold, as both the Bangladesh Bank and Export Promotion Bureau officials consider, can be profitably utilized as initial supply of gold to manufacture gold jewellery for export. It may be mentioned here that Bangladesh does not import gold. But in the scheme for export of gold jewellery provisions have been made to import gold for the purpose of export of gold jewellery.

The export policy for 1984-85 identified jewellery as one of the new export products for development. Development of this subsector, however, would need an assessment of the present status of the industry, its production process, availability of raw materials, marketing and distribution channels etc. Moreover this is a subsector of small industries which because of the nature of the raw materials as well as finished goods will have to undergo the strictest control and supervision of the government agencies. Rules of business will have to be formulated, enforced and implemented by the government itself.

As far as other developments are concerned the government as a sequel to the framing of the gold jewellery export scheme has constituted a committee with members from Bangladesh Bank, Export Promotion Bureau, Sonali Bank and National Board of

Revenue to oversee the formulation, announcement and operationalization of the jewellery export scheme. Another committee titled "Appraisal Committee" has been provided under the above scheme and the committee has been formed by the Export Promotion Bureau consisting of the members from customs valuation department, Export Promotion Bureau, Jewellery Association, Bangladesh standard Institution, Bangladesh Council of Scientific and Industrial Research, Engineering University for assessment of value of jewellery.

But the aspects like formulation of a policy of export, selection of exporters, development of a marketing strategy as well as study of the production process to support the export from Bangladesh are yet to be developed and finalized. This report is a study on the present status of gold jewellery industry in Bangladesh and on its growth potential and the feasibility of exporting gold jewellery from Bangladesh.

1.2 Objectives Of The Study

The main objectives of this study, therefore, are :

1. To identify those who constitute the Gold Jewellery Industry sub-sector in Bangladesh i.e., the manufacturers, wholesalers, retailers, the artisans, and the consumers including their present status of business, demographic and socio-economic status, etc;
2. To identify the potential opportunities for growth in the domestic as well as overseas markets;
3. To identify the constraints to growth involving supply and availability of raw materials including finding out markets locally and abroad;

4. To identify the status of current production process and technology of production used and possible options available;
5. To examine the Scheme for Export of Gold Jewellery recently formulated by the Bangladesh Bank in so far as the same is effective in supporting the export of gold jewellery;
6. To identify the attitude of those involved towards this industry and its growth and development.

1.3 Scope

The present study is confined within the gold jewellery industry in Bangladesh and the importing countries in the Middle East.

The study attempts to look specifically at the production and distribution of gold jewellery within the country. Investigation about the nature and characteristics of the importing countries markets e.g., supply and demand for gold jewellery, consumers preferences, competitors in the markets etc. are also covered, particularly within the selected Middle East countries.

The study is further restricted to the investigation of gold jewellery and precious and semi-precious stones as well as pearls but not the artificial jewellery and diamonds which constitute a substantial part of the total export of jewellery of many exporting countries.

The scope of investigation on the demand side and market characteristics of importing countries include information from published sources and consists of secondary data only. Actual

on the spot study of the markets as was undertaken by the teams which visited those markets during the early part of this year constitute the bulk of the information in this regard. The study therefore, is confined within particular area and specific aspects of gold jewellery industry in Bangladesh and markets in the Middle East.

1.4 Methodology

The data required for this study were collected by employing field survey and desk research covering both primary and secondary sources. The methods and techniques used were as follows :

1. Desk Audit

Involving search of information from published sources such as bulletins, brochures, journals, trade notes etc. of International Trade Centre (ITC), Export Promotion Bureau (EPB), Bangladesh Bank, Jewellery Association of Bangladesh, the Gem & Jewellery Export Promotion Council of India etc.

2. Market Survey

- a. Interview of members of Bangladesh Jewellery Association using structured questionnaire on the current status of the industry, the policies pursued and practices followed etc. by the Association.
- b. Interview of jewellery retailers by using structured questionnaire on the current status of their business, the availability of raw materials, demand for finished goods, quality of jewelleries, and the environment of the industry including government rules, regulations, policies, practices relating to the gold jewellery industry and its potential for export.

- c. Interview of artisans, the core element in jewellery business in Bangladesh with structured questionnaire on the present status of supply of raw materials, design of jewelleryes and the socio-economic status of these craftsmen.
- d. Interview of customers who buy jewellery for various purposes and on various occasions on quality, design, prices etc. of jewelleryes not being made locally.
- e. Interview of officials of Export Promotion Bureau to collect their opinion regarding export of gold jewellery and the scheme for export from Bangladesh.
- f. Interview of the officials of the Bangladesh Bank and Sonali Bank to collect their opinion on export of gold jewellery from Bangladesh and the scheme framed for the same.
- g. Interview of the members of the "Jewellery Export Scheme Appraisal Committee" to gather their opinion and suggestions regarding implementation of the scheme.
- h. The presidents of the Federation Chambers of Commerce and Industries and Dhaka Chamber of Commerce and Industries were also interviewed to gather their opinion on the proposed export of gold jewellery from Bangladesh.

The sample size for the survey of retailers and artisans for the survey was determined by adopting a convenience sampling procedure which include a sample size of 158 retail jewelers, 238 artisans, 4 members of the Jewellery Association covering Dhaka, Mymensingh, Khulna, Jessore, Chittagong and Comilla. A survey on an international scale could not be undertaken for a number of reasons. Further, it was also thought that the objectives of the present study involving

export of gold jewellery do not warrant inclusion of small jewellery shops scattered in outlying areas of main cities.

Information on the demand of gold jewelleries in the Middle Eastern countries and other characteristics of those markets were obtained from secondary sources which include the trade bulletins, reports etc. of the International Trade Centre, Geneva, Gem and Jewellery Export Promotion Council, India and the study tour reports of the officials of the Export Promotion Bureau. The sources included mainly information on the demand characteristics of those markets.

1.5 Limitations

One of the major constraints faced during investigation was the dearth of information available with those responsible for launching the scheme for the export of gold jewellery from Bangladesh. While the study used predetermined structured questionnaire in eliciting specific responses considered pertinent to establish the feasibility or otherwise of the proposed scheme, in most cases it was difficult to obtain appropriate answers. However, this was augmented by interviewing a cross section of interviewees.

The samples were chosen on a convenience basis as no complete list of retailers were available with the Bangladesh Jewellers Association in the cities under investigation.

In the absence of a physical investigation into the production processes of the gold jewellery exporting countries like India, Pakistan and Thailand the study has to be concluded without any information on the production processes of the jewelleries in these countries. A further study would be needed to bridge this information gap.

II. GOLD JEWELLERY INDUSTRY

Bangladesh is traditionally known as the producer of finest quality gold ornaments and jewellery. The artisans in this trade have long experience in making the finest jewellery. The estimated number of artisans in Bangladesh ranges between 2-3 lakhs and have experiences ranging from 1-35 years the mean being 9 years.

Bangladesh since its inception in 1971 has not imported any gold till date. Before independence, the State Bank of Pakistan established a quota for import of gold into the country but since 1971 the same has been cancelled. The gold so imported was meant to be distributed through the Jewellers Association.

2.1 Availability of raw material

Most of the gold now being handled by the retailers is provided by the customers in the form of jewellery they possess for transforming into new designs as well as those sold by the poor villagers who are forced to sell their ornaments to tide over economic difficulties.

It has been learnt as well as being supported by incidents of recent custom's seizure of gold that some amount of gold has always been entering the country through illegal routes. Informally, this constituted a major supply source for gold jewellery retailers.

Another small source of supply consists of the limited quantities of gold ornaments being brought in-side the country by the Bangladeshi nationals residing abroad.

However, till the framing of the present scheme for export of gold jewellery from Bangladesh, official import of gold was non-existent and there were no legal provisions for importing gold. In other words the major sources of supply consisted of recycling of gold possessed as ornaments and jewelleryes by the families within the country and the gold which entered the system through illegal routes.

2.2 Production Of Jewellery

A survey of the jewellery retailers chosen for this study was undertaken. The retailers include those from Dhaka, Mymensingh, Jessore, Khulna, Bogra, Comilla and Chittagong. During this survey various factors were investigated to ascertain the current production capability of ornaments and jewelleryes, their experience in the trade, the major problems that they are currently facing, and their attitude towards exporting gold jewelleryes.

2.2.1 Experience in Jewellery Business

The total number of jewellery retailers interviewed was 158 from 8 cities. In response to the question on their length of jewellery business the respondents indicated varying length of experience in years in jewellery trade.

Table - 1 shows the number of years these jewellery retailers have been in business. Among those interviewed 62.02% have been engaged in the retail trade between one and fifteen years, indicating that a large percentage of these groups entered business after the liberation of Bangladesh. About one-fourth of the total respondents indicated that they are in business for less than five years.

In general, the jewellery retailers did not provide any indication that the business promises profitable operations. It

has been observed that in recent years there has been a significant increase in the number of jewellery shops being established. Since the bulk of the jewellery retail shops are of recent origin these are relatively inexperienced ones. It is, however, seen that jewellery trade requires years of experience to develop credibility and reliability. In case of India the jewellery business has steadily grown over the last 40 years.

Table : 1

NUMBER OF YEARS IN JEWELLERY BUSINESS

No. of Years(Range)	No. of Jewellers	Percentage
1 - 5	37	23.42
6 - 10	31	19.62
11 - 15	30	18.98
16 - 20	23	14.56
21 - 25	21	13.30
26 - 30	11	6.96
31 - 35	5	3.16
TOTAL :	158	100.00

2.2.3 Buyers of Gold Jewelleries in Bangladesh

In response to our question regarding the local buyers of gold jewelleries and ornaments we received multiple responses from the respondents. The table shows the category of buyers who

Table : II

BUYERS OF GOLD JEWELLERIES

Buyer Categories	Frequency of Respslpses	Percentage
Customers of regular use	72	32.00
Wedding parties	65	28.90
Foreigners	44	19.56
Bangladeshis Residing abroad	12	5.31
Investors in ornaments	18	8.00
Exporters	-	-
Others	14	6.23
TOTAL :	225	100.00

constitute the customer group of local jewelleries. It is observed that while 32.00% buy ornaments and jewelleries for regular use a sizeable percentage about 20% of foreigners also buy Bangladeshi

jewelleries indicating a promising export potential for gold jewelleries of Bangladesh.

2.2.3 Range of Products Manufactured and Sold in Local Markets

The Gold Jewellery industry of Bangladesh produces a wide variety of ornaments. The demands for particular products in the local market are met by producing several different items by one single manufacturer and as such no one jewellery shop specializes in any single item of gold jewellery. However, the range of products which are produced and sold in Bangladesh are wide enough to cover the gold jewellery products in general use in the overseas markets. The following table shows the range of products those are usually manufactured and sold in the local markets:

Table : III

PRODUCTS MANUFACTURED AND SOLD
IN LOCAL MARKETS

Items	Frequency of Responses	Percentages
Rings	75	18.75
Earrings	60	15.00
Locketts	60	15.00
Necklace	50	12.50
Chains	47	11.75
Bracelets	36	9.00
Ornaments Sets	34	8.50
Bangles	27	6.75
Nose Pins	11	2.75
TOTAL :	400	100.00

2.2.4 Production Process

Gold jewellery industry of Bangladesh being one of oldest industries of the country originated as a handicraft industry and still maintains many of the characteristics of this type of industries. Production of jewelleries involve working with hand as well as with machines. But the process is still predominantly one in which the artisans use their hands.

2.2.4.1 Tools and Accessories

Production of gold jewellery involves performance of several tasks which are as follows : Garit (Moulding), chila (Stripping), engraving, mina, setting, polishing, ball making, and final finishing.

Performance of the above tasks involves small hand tools for shaping, polishing, stripping and joint making. Thus the state of technology in jewellery design and fabrication unlike many exporting countries comprises mainly of hand tools. Under the circumstances it is difficult to increase production by our jewellers and artisans.

The hand tools which are used by the jewellers are not only very much outdated but also are inadequate. Import of tools, accessories and chemicals are likely to be required in production of exportable quality jewellery items.

In the absence of any survey on the state of technology of the jewellery industry of the exporting countries it is difficult to identify the actual need for tools and accessories in the jewellery industry.

In response to our questions out of 158 as many as 85 respondents indicated that it is both feasible and legitimate to mechanize the process the remaining 73 indicated that it is neither feasible nor legitimate to mechanize the production process. The responses for and against mechanization, therefore, almost equally divided between the respondents.

The following table shows the position of the respondents regarding mechanization of the process :

Table : IV

PRODUCTION PROCESS

Production Type	Frequency of Responses	Percentage
Mechanization	85	53.80
Non-mechanization	73	46.20
TOTAL :	158	100.00

There is of course quite a reasonable assumption behind the holding of an opinion against mechanization of the gold jewellery production process which is the current employment position in the country. The artisans in general are not favourably disposed towards mechanization of the production being afraid of being thrown out of employment. A second reason is that they do not think that the intricate and delicate nature of the work involved in the production of finest quality jewellery can be done through machines.

The industry currently employs about 2 to 3 lacs of artisans.

The following table shows the estimated number of artisans now being in the jewellery industry in Bangladesh :

Table : V

ESTIMATED NUMBER OF ARTISANS

Number of Artisans (Estimates)	Frequency of Responses	Percentage
2 - 3 lacs	47	29.75
3 - 4 lacs	47	29.75
4 - 5 lacs	17	10.75
Don't Know	47	29.75
TOTAL :	158	100.00

2.5 Skill Requirement and Availability

Gold jewellery industry requires skilled craftsmen for production of intricate designs and finishing of the produced goods. Though in the past this craftsmanship originated, grew and developed in this country during the last 50 - 60 years, many of the craftsmen migrated to India especially to states like Gujrat and Maharashtra and West Bengal. This study collected data on the artisans' experience and it was observed that the artisans in Bangladesh have wide range of experience. More than 60% have been in the trade for a little over fifteen years.

The following table shows the years of experience of the Bangladeshi artisans :

Table : VI

YEARS OF EXPERIENCE OF ARTISANS

Number of Years	Frequency	Percentage
5 - 8	16	13.11
9 - 11	20	16.41
12 - 14	18	14.75
15 - 17	18	14.75
18 - 20	12	9.85
21 - 23	3	2.45
24 - 26	11	9.01
27 - 29	6	4.92
30 +	18	14.74
TOTAL :	122	100.00

2.2.6 Availability of Skill

The present condition of the industry is such that there is no scope at all for the artisans to develop their skills through organized activities. The only source of skill development through one's own effort is to work with newer designs. This study investigated into the sources of designs of gold jewellerys being produced by the Bangladeshi jewellers which indicated that these sources are quite narrow and restricted.

The following table shows the sources of designs of gold jewellery for Bangaldeshi artisans :

Table : VII

SOURCES OF DESIGNS FOR THE ARTISANS

Sources	Frequency	Percentage
Design Book	76	28.15
Artisan's Own Imagination	97	35.92
Buyers	68	25.18
Copying	20	7.41
Smuggled Dies from Other Countries	9	3.34
TOTAL :	270	100.00

The sources of skill development for the artisans of Bangladesh are therefore, largely restricted to the artisan's own imagination only and the second being the design books.

2.2.7 Training of Artisans

If Bangladesh wants to enter into gold jewellery export trade she would be faced with a severe competition not only from other Asian countries who have already made good inroads in those markets wherein she is now focusing to enter but also would need to produce such items which are currently being in demand both in terms of quality of gold and designs.

All these call for training of artisans in Bangladesh at least for those who shall be in the export business initially. As stated earlier in this report that before Bangladesh could commence the export of gold jewellery she would need to have a fair amount of knowledge of the production processes of those countries who are already in the export business.

Accordingly a need assessment of skill to be developed may be undertaken only after the production processes and the design aspects of gold jewellery to be exported are ascertained. Initial training of artisans may be provided in the country by bringing in the trainers from adjoining countries who are in the export business of gold jewellery.

2.3 Marketing Of Gold Jewellery

Markets for gold jewellery of Bangladesh comprise of the local markets only. As stated earlier she has never been in export markets because of the national policy in this regard. The jewellery articles covered in this report are gold jewellery - both jewellery made of solid gold and those studded with precious and semi-precious stones. These include rings, bracelets, earrings, nose pins, chain, necklaces, etc. The principal marketing and distribution channels for gold jewellery in Bangladesh are the jewellery retailers and the artisans. Unlike other countries sales through departmental stores are almost non-existent. Bulk of the gold jewellery produced are sold through retail shops. Most retailers are single-shop operations but there are a few with two or three outlets.

2.3.1 Customers of Gold Jewellery

The customers of gold jewellery as stated earlier are the wedding parties, foreigners, Bangladeshi residing abroad and those who use these as ornaments on a regular basis. In addition some also buy jewellery as an investment for future. The two major buyers, however, are those who buy jewellery for regular

use and those who buy for wedding purposes. These two groups constitute 32% and 28% of the total sales of gold jewellery.

Most of the artisans either work for jewellery retailers and/or other artisans. But in several cases the buyers of gold jewellery also buy their jewellery from the artisans by contacting them directly and placing orders. The customers of the artisans therefore, consist of the jewellery shops, other artisans, and the customers who buy directly from them. However, the last group does not cover any significant part of the total sales of the artisans.

.3.2 Inventory of Finished Jewellery

The retailers generally keep minimum stocks of finished jewellery. This is primarily due to the present supply position of gold the sources of which being the customers themselves. Only a small portion of the gold is obtainable from official sources. This study investigated into the supply sources of gold of the retailers and observed that the bulk of the supply come from the customers of the jewellery retailers. The following table shows the present supply source of gold of the retailers.

Table : VIII
SUPPLY SOURCES OF GOLD
OF THE RETAILERS

Supply source	Frequency	Percentage
Customers	108	40.45
Ornament sellers	94	35.21
Bullion market	52	19.48
People residing abroad	10	3.74
Smuggled	3	1.12
TOTAL :	267	100.00

Since the import of gold in any form is banned under the national policy in vogue currently most of the jewellery retailers were reluctant to include smuggling of gold into the country as one of the significant sources of supply of gold for their shops. Gold smuggling, it was learnt, has been in existence for a long time and of late it has come to the notice of ours through press that over the last 2 - 3 years government has seized huge quantities of smuggled golds. It can be assumed that the current supply of gold is largely the smuggled gold.

The above contention is supported by the fact that while the import of gold is banned in the country the growth of retail jewellery shops especially in the cities over the last few years have been quite significant. The setting up of new retailer shops in the city super markets and elsewhere does not indicate that the availability of gold is in any way in short supply. However, it is not possible to estimate the quantity of gold which reaches the market through these sources.

2.3.3 Competition in the local market

Competition in local gold jewellery market is almost non-existent. Although the gold jewellery industry is one of the oldest industries of the country the business never attained its desired growth level. This is primarily due to the socio-economic status of the people and absence of the customers to provide support to the growth. Since liberation, however, it is the government policy which poses a constraint to the growth of this particular industry. It has been learnt that many of the artisans have left the country since liberation in search of

living. This study investigated into the problems now being faced by the jewellery industry as a whole and found out that apart from the non-availability of gold which poses the single most important constraint to the growth of gold jewellery industry there are a host of factors which impede such growth. The following table shows the factors responsible for the present status of the industry :

Table : IX
FACTORS WHICH AFFECT THE GROWTH
OF GOLD JEWELLERY INDUSTRIES

Factors	Frequency	Percentage
Non-availability of gold	11	8.34
Government regulations:		
Capacity tax	68	51.52
Check by Customs	7	5.30
Income tax	5	3.78
Sales & procurement returns	9	6.81
Economic insolvency	14	10.61
Miscellaneous	18	13.64

The above table shows that the jewellery retailers identify government regulations in the form of levying of capacity tax, sudden check by customs authorities, income tax and the requirement for submission of sales and procurement returns to the government as some of the major factors which impede the running of the gold jewellery business and its growth.

Another significant difficulty faced by the industry at present is lack of finance from banks. Currently the jewellers finance their requirement from several different sources. This study investigated into the sources of finance of retail jewellers and obtained the following information presented in the table below :

Table : X

PRESENT SOURCE OF FINANCE
OF JEWELLERY RETAILERS

Sources	Frequency	Percentage
Family loans	57	34.13
Profit from business	57	34.13
Loan from friends	13	7.78
Bank loan	9	5.39
Income from other sources	26	15.57
Others(customers advance)	5	3.00
TOTAL :	167	100.00

.4 Trends in product design

Though the jewelleries produced in Bangladesh have a reputation for fine craftsmanship and design, the scope for design changes and opportunity for innovation are limited. This study investigated into the trends and prospects of design and design changes which have occurred in the gold jewellery business over the last 5 years. The respondents to our questionnaire in this regard indicated that over the last five years. there have been many

changes in the designs of gold jewellery. Asked about the reasons for such changes in jewellery designs several reasons e.g., change in customer taste, use of light weight jewellery and copying of designs from catalogues have been cited among other reasons. The table below shows the major reasons for change in gold jewellery designs overtime.

Table : XI

REASONS FOR CHANGE IN GOLD
JEWELLERY DESIGN

Reasons	Frequency	Percentage
Customers taste	37	33.64
Use of light weight jewellery	39	35.45
Copying from catalogue	7	6.36
Others	27	24.55
TOTAL :	110	100.00

In general it may be said that the gold jewellery industry in Bangladesh especially in the area of marketing of the products have yet to develop as an organized market with established channels of distribution beyond its present retailer shops and artisans. The promotional aspect of the industry is not only weak but is also non-existent. The industry does not have any organization or association to guide, or protect its constituent elements except a very weak and lean association.

2.4 Growth Potential Of Gold Jewellery Industry

Bangladesh as has been stated earlier is one of the countries in South and South East Asia which is traditionally known as the producer of finest quality gold ornaments and jewelleryes. The artisans who have long experience in making finest jewelleryes once are still available in most areas within the country. The types of jewelleryes currently being produced and sold in local markets are still in high demand. Even foreigners who visit Bangladesh have been observed to like some of the jewelleryes produced by the Bangladeshi artisans.

2.4.1 Jewellery business:

Though it is difficult to trace as to when and how jewellery business grew in this country but from the information available in published sources use of gold jewelleryes as ornaments dates back some few hundred years ago. Womenfolk in particular have always loved to have jewelleryes not only to receive them as gifts during their wedding but also for their regular use as ornaments. In the past we have observed that the availability of gold was so much restricted that the business has to depend on the gold available with the customers as their ornaments who only used to bring those to jewellery shops for changing desings etc. Since Bangladesh came into being the import of gold is totally banned. Today in addition to the major source being the customers who bring their ornaments to jewellery shops for design changes jewellery shops get small supplies from the foreigners, Bangladeshis who reside abroad and from the bullion market.

While in the absence of a total figure as to how much jewelleryes are produced and sold annually in Bangladesh and more so since the bulk of the present supply source of gold of the jewellery shops comes from the customers which is about 80 percent of the

total supply, no significant production of jewelleries takes place in the country except the changes in the designs and forms of ornaments.

The earnings of the jewellers come mostly from the making charges (design changes) of the jewelleries except a little from value added earnings when jewelleries are studded with pearls and other stones.

Government regulations as have been stated earlier have been observed to restrict the growth of jewellery business. Regulations providing for payment of capacity tax, income tax and submission of certain returns to government including sudden checking by the customs authorities have been indicated by the jewellery retailers as deterrent to normal functioning of the jewellery trade. The single most significant constraint to the growth of the business, however, is the non-availability of gold in the country through import. Gold and gold related items are banned from import since the inception of the country.

Of late imitation jewelleries are making some inroads into this market. People are buying more and more imitation jewelleries of attractive designs. In many cases people prefer imitation jewelleries because of the current unsafe environment of movement. Many would like to buy gold ornaments for investment purposes and as some informed circles pointed out, to convert and legalize the blackmoney earned through illegal sources.

As regards the experience of the jewellery retailers in their business there is a fairly wide distribution of the number of years they have been in business. About 60 percent of the present jewellery retailers in Bangladesh have been in business for a period ranging from one to ten years. The remaining 40 percent are in business for more than ten years. Currently it has been observed that new shops are coming up almost regularly in the cities and urban areas of the country.

One striking feature of the business, however, is that even the particular business is as old as many other industries of the country this industry does not have an effective and strong apex body to guide, control and supervise as well as protect the interests of this sector. This is of course due to the obvious reason that gold industry as well as anything pertaining to gold has always been the affair of the government because of the nature of this precious material. Whatever organization exists in the form of Jewellery Association both in Dhaka and elsewhere in the country represents mostly a very weak and unorganized association which exists on paper only without their influence on the industry.

2.4.2 Producers of gold jewelleryes

Gold jewelleryes in Bangladesh are produced by the artisans who are associated with one or more jewellery retailers. More than 60 percent of these artisans have been engaged in the jewellery trade for over fifteen years. These artisans live over a wide area in the country though their major concentration is in and around Dhaka City. This study investigated into the location of best quality artisans in the country. Questions were asked as to the quality of artisans whose processing efficiency, design appeals reliability as well as credibility have established appeals among their buyers. The respondents indicated that major concentration of these artisans are in the Dhaka city while a few also are available in the cities like Chittagong, Khulna and Mymensingh.

Thus the production as well as distribution of the gold jewelleryes are confined mainly within the Dhaka city only. The other cities' and towns' contribution to the industry is only marginal.

4.3 Profile of the producers

The development and growth of any profession depend on their demographic, as well as socio-economic status which in turn determines the growth and development of the people vis-a-vis the trade itself. Given the overall socio-economic context this study investigated into the demographic and social and economic status of the artisans in Bangladesh in order to determine the growth potential of the gold jewellery business. The following table shows a particular aspect of the demographic profile of the artisans in Bangladesh :

Table : XII
NUMBER OF FAMILY MEMBERS
OF THE ARTISANS

No. of Members (Range)	Frequency	Percentage
1 - 2	-	-
3 - 4	14	12.07
5 - 6	54	46.55
7 - 8	28	24.14
9 +	20	17.24
TOTAL :	116	100.00

From the above table it may be observed that a family of an artisan in Bangladesh consists of at least 3 to a maximum of 15 members the largest concentration being around 5 - 6 members per family. The respondents in each case was the head of the family and the major earning member with others being dependent on his income.

This study also investigated into the income of the artisans of Bangladesh. Questions were asked to determine their level of income in order to establish the physical quality of life (PQL) these groups of craftsmen enjoy currently. The following table shows the income levels of various groups of artisans :

Table : XIII
MONTHLY INCOME OF ARTISANS

Amount in Taka (Range)	Frequency	Percentage
Upto 1000	6	5.77
1001 - 2000	39	37.50
2001 - 3000	37	35.58
3001 - 4000	22	21.15
4001 - 5000	-	-
5000 +	-	-

It may be observed that more than 70 percent of the artisans fall into the 1000 - 4000 monthly income brackets and only a few fall below this level. None, however, was found to be earning above Tk. 4,000.00 per month. Compared with other vocations in agricultural and industrial sectors of the country the income level of this group of craftsmen appears to be quite satisfactory.

But we have reservations about the level of income as has been indicated by the respondents. To us it appears that these have

been under quoted compared with the currently prevailing market rate of making charges for jewelleries sold by the jewellery shops.

At present an estimated 2 - 3 lacs of artisans are employed in this industry. while this estimate has been taken as indicative of the number of artisans available in the country in the absence of any survey providing us with the actual number as the exact number is clearly difficult to identify. This is an indication of the current status of the gold jewellery industry in Bangladesh in so far as it is reflected through the nature of employment of the artisans. The Jewellery Association could not provide a complete list of retail jewellers as well as artisans of the country.

The artisans were asked to indicate about the prospects of the business. A total of 129 responded to our questionnaire which is presented in the following table :

Table : XIV

GROWTH OF JEWELLERY INDUSTRY
DURING PAST FIVE YEARS

Status over past Five Years	Frequency	Percentage
Improved	27	20.93
Declined	102	79.07
TOTAL :	129	100.00

From the above table it may be observed that while only one-fifth or 20 percent thinks that the industry has grown over the last five years a large majority of 80 percent feel that the same

has declined over the same period. In the absence of an official index of growth of gold jewellery industry of the country this is the only index available to us.

In response to a question on what are the constraints now being faced by the gold jewellery industry as a whole the respondents indicated as follows :

Table : XV

PROBLEMS FACED BY THE
JEWELLERY INDUSTRY

Problems	Frequency	Percentage
Increase in the price of gold	92	31.29
Increase in the number of artisans	15	5.10
Stagnancy of artisan' wage	78	26.53
Decreased use of gold ornament	77	26.19
Declining Trade cycle	9	3.07
Taxation policy	19	6.46
Decreasing purchasing power	3	1.02
Scarce supply of gold	1	0.34
TOTAL :	294	100.00

From the above table it is observed that the present constraints to the growth of gold jewellery industry in Bangladesh among others are the increase in price of gold, stagnancy of artisans' wages and decreased use of gold ornaments.

The artisans were also asked to identify the present constraints relating to the growth of the jewellery industry specifically. In response to our questions on this aspect the respondents indicated the constraints significance as follows :

Table : XVI
CONSTRAINTS TO THE GROWTH OF
JEWELLERY INDUSTRIES

Constraints	Frequency	Percentage
Non availability of gold	125	48.64
Scarcity of designs	43	16.74
Migration of skilled artisans	26	10.12
Import-Export policy of the government	62	24.12
Scarcity of tools and accessories	-	-
Unemployment of artisans	1	0.38
TOTAL :	257	100.00

From the above table it is observed that about 50 percent of the artisans interviewed indicated the non-availability of the gold as the most significant constraint to the growth of gold jewellery industry. The second most significant constraint identified is the import-export policy of the government.

2.4.4 Financing of the industry

Another most important requirement for the growth and development of any industry is the source of finance. Because of the specific nature of the gold jewellery industry the industry needs more support than other industries. This study investigated into the current source of finance of the industry. The respondents indicated that in most cases - the financing comes from business profits and family loans. No significant financing is available from the banks as loans. This is probably due to the fact that banks in Bangladesh do not value the risk-reward relationship with the jewellery community and above all the country never had a flourishing money market.

In India bank loan has always been a major source of finance for jewellery trade. Because of high creditability of the jewellery traders based on family tradition in this line, the banks felt encouraged in meeting the ever increasing demand for credit on them (Gem and jewellery Export Council 1984, P. 97).

A flourishing jewellery industry benefits not only the domestic traders but also the exporters, the bankers and the economy as a whole. If the current status of financing of jewellery trade in Bangladesh is to be improved more and more bank finance should reach the industry and more and more banks should be encouraged to enter the field to cover the trade. This is something that ought to be stressed under the present financial condition of the industry.

2.4.5 Marketing of Gold Jewellery

The channels of distribution of gold jewellery products in local markets consist of both the jewellery retailers and the

artisans. In the urban areas it is mostly the retailers who are involved in selling the products. In rural areas the artisans themselves play the role of both producer and seller. An artisan may sell directly to the customers the jewellery produced by him or may sell to the jewellery shops or to another artisan. Since no single artisan specializes in any type and design of any jewellery all the activities in making a piece of gold jewellery are shared by the artisans. The channels of distribution may be illustrated as follows :

- i) Artisans → Customers
- ii) Artisans → Artisans → Customers
- iii) Artisans → Retailers → Customers

4.5.1 Demand for Gold Jewellery in the local market

Gold jewellery are mainly bought for regular use as ornaments, as wedding gifts, as investment for rainy days as well as for converting black money.

The buyers of gold jewellery are mostly the housewives, foreigners and Bangladeshis residing abroad and the wedding parties.

The range of products includes a number of items. Of these, the most demanded items are rings, lockets, earrings, necklaces, chains and bracelets. However, no retail jeweller specializes in a single item.

The following table shows the demand pattern for the various category of items produced and sold in the local market :

Table : XVII
CATEGORY OF SELECTED PRODUCTS
WHICH ARE IN HIGH DEMAND

Category of items	Frequency	Percentage
Rings	121	19.48
Locketts	112	18.04
Earrings	112	18.04
Necklace	81	13.04
Chains	77	12.40
Bracelets	61	9.82
Ornament sets	57	9.18
TOTAL	621	100.00

This study investigated into the turnover of gold in the form of jewelleries. The respondents were asked as to what was the amount of gold used by them in making jewelleries during each month for the past 6 months. The following table shows the monthly turnover of gold for last 6 months:

Table : XVIII
MONTHLY TURNOVER OF GOLD IN JEWELLERY
SHOPS DURING LAST SIX MONTHS

Volume of Turnover (in Tola)	Frequency	Percentage
10 - 15 Tola	80	53.70
16 - 20 "	20	13.42
21 - 30 "	13	8.72
31 - 50 "	11	7.38
51 - 75 "	6	4.03
75 +	19	12.75
TOTAL :	149	100.00

From the above table it may be observed that the bulk of the jewellery retailers (a little over 50 percent) uses 10 - 15 tolas of gold monthly for producing jewelleries. Since the earning from sale of jewellery comes from value added portion and is determined on the basis of design i.e., the labour charges, it is difficult to estimate in monetary measure unless the designs are known.

Further, we must accept these turnover figures with reservation because gold and gold related items being banned from import and the retail jewellers being required to furnish regular sales returns to the government the retailers may not be inclined to furnish actual figures.

However, about one-fifth of our respondents (19 percent) indicated that their monthly turnover of gold is over 75 tolas. This indicates that the turnover of gold jewellery in the local market is quite acceptable for an industry which is constrained mainly from the supply of its basic raw material.

In response to a question as to whether the retailers would like to increase their production of jewelleries if more quantities of gold were available to them more than 91 percent indicated that they would like to do so. The following table shows the results of our survey in this regard :

Table : XIX

JEWELLERY RETAILER OPINION
IN INCREASING PRODUCTION

Type of responses	Frequency	Percentage
Yes	122	91.04
No	12	8.96
TOTAL :	134	100.00

Regarding the frequency of design changes questions were asked as to how frequently the design of gold jewellery changes in the local market. The following table shows the frequencies of design changes as was indicated by the respondents.

Table : XX

DESIGN CHANGE FREQUENCIES

Design Change Frequency	Frequency	Percentage
Changes frequently	138	84.15
Changes once in a year	19	11.59
Changes after 3-5 years	7	4.26
TOTAL :	164	100.00

From the above table it may be observed that design changes for gold jewellery are very frequent.

In response to a question regarding the failure of a jewellery retailer in supplying a jewellery of certain specific design requested by a prospective customers the respondents indicated as follows :

Table : XXI

INABILITY TO PRODUCE JEWELLERIES
OF CERTAIN DESIGNS

Types of responses	Frequency	Percentage
Yes	30	22.39
No	104	77.61
TOTAL :	134	100.00

From the above table it may be observed that at least about one-fifth of the retail jewellers indicated that they had trouble with making jewelleries of certain specific designs requested by their prospective customers. This probably occurs in an industry where fashion and design changes occur so frequently that unless arrangements exist for well developed marketing information system as well as provisions for research, innovation and development, it would be difficult to keep pace with the design changes with strong appeals for customers taste.

The sources of design of the gold jewelleries now being traded in the local market are at present confined to mostly trial-error and imagination of a few.

.4.6 Pricing of gold jewelleries

A final important factor in the marketing of gold jewelleries is the pricing of jewelleries including the mark up value of the jewelleries produced. Gold jewellery is a value added item. The jewellers transform the material into different forms and designs. The value addition which consists of mainly the labour content is the major source of earning for the jewellery artisans together with profit margin which sets the price of a particular gold jewellery. The labour content as a percentage of the total price varies with the designs of jewelleries. The more intricate and delicate is the design the higher will be the making charges.

This study investigated into the pricing process now in vogue in the jewellery industry and found out that including the raw material cost and cost of other elements how the price of a particular gold jewellery is set. The following table shows the percent-wise distribution of various cost elements:

Table : XXII
PRICING STRATEGY FOR JEWEL-
LERY MARKET

Pricing elements	%	Frequency	Percentage
Price of gold	80	121	22.40
Quality of gold	3	83	15.38
Stones used	9	112	20.74
Loss/wastage	1	112	20.74
Labor cost	8	112	20.74
Mark up	-	-	-
Overhead	-	-	-
TOTAL :	100	540	100.00

It may be observed from the above table that the labour content in the setting of prices for gold jewellery counts only for about 8 percent and varies between 5 - 9 percent in individual cases depending on intricacies etc. of design.

In summing up the growth potential of jewellery industries in Bangladesh it may be concluded that the present gold jewellery industry has enough potential to grow considering its products - quantities, qualities and demand in the local market. The industry is currently beset with a number of problems the most significant of which is the non-availability of gold. In addition to the above there are other government rules, regulations which hinder the growth of this industry.

Jewellery in Bangladesh as elsewhere in the world have always appealed to its users for time immemorial. Jewellery in any form appeal to any one from any strata of life and society. It is only the changing of styles, forms and designs that their appeals to the users are intensified. Some Indian tribes such as Bhils who have been referred in Abul Fazal's Ain-i-Akbari as

Khandesh Bhils were found to be fond of personal adornment and both men and women invariably used to wear silver ear-rings and silver or kansa finger rings.

Women of Bhil tribes were very fond of ornaments and used to be heavily decorated from head to toe, with earring in their lobes, balia in helices, a collar of glass beads round their necks, and armlets, bangles, rings etc.

Thus the appeal for jewellery will always be there. The gold jewellery industry of Bangladesh has a long history and tradition. Once the intricate and delicate designs of gold jewelries had a widespread appeal within the country.

With the imposition of government restriction on the free flow of gold and gold related items the growth of the industry was restricted. Development of an infrastructure for the jewellery industry in Bangladesh as has been revealed through our study would need some of the following measures to be taken :

- i) Ensuring the supply of gold through imports;
- ii) Adequate bank financing to cover the local trade;
- iii) Streamlining of some of the government policies and reduction in the requirement of information to be submitted;
- iv) Ensuring arrangement for market information, research and development in the area of production, distribution and promotion;
- v) Revitalization of the Bangladesh Gold Jewellers and Artisans Associations.
- vi) Participation in international trade fairs supported by government.

Recognizing that the main infrastructural need of our jewellery trade is adequate supply of gold and for finance for purchase of the gold and other wholly non-indigenous inputs e.g., machinery, chemicals etc. the government should formulate suitable policies in augmenting the import of gold into the country and provision of adequate finances to the industry. The gold jewellery industry in Bangladesh even in the face of all these odds is still in business and doing fairly well which can be observed from the regular coming up of new retail outlets in and around the cities of Bangladesh. Even though some of these shops may ultimately prove to be short transient visitors to this sector and many may hastily retreat some of the retailers have been in business for above 30 years now with artisans having experiences of similar and in cases even with longer experience.

III. EXPORT OF GOLD JEWELLERY

The export policy for 1984-1985 identified jewellery as one of the new export products for development. In 1981 a delegation from Bangladesh visited some of the Middle East countries in order to explore the possibility of exporting gold jewellery to these markets. Then again in 1985 through the efforts of the Export Promotion Bureau (EPB), a team consisting of the officials of the EPB, Bangladesh Bank and a representative of the jewellery trade visited three Middle East countries, viz, Abu Dhabi, Dubai and the Kingdom of Saudi Arabia to explore the feasibility of entering those markets. Thus the idea of exporting jewellery from Bangladesh could be traced back to as early as 1979. This, however, at that time was somewhat influenced by the export of gold jewellery from other Asian countries especially Pakistan, and India. In 1983-1984 India exported gold jewellery worth Indian Rs. 83.38 crores which is an increase of 44.53 percent over 1982-1983. In 1984-1985 her export of gold jewellery was Indian Rs. 86.10 crores (US \$ 72 million).

The following table shows the value of jewellery, both gold and silver exports from India, Pakistan and Srilanka during 1979-1983:

Table : XXIII
JEWELLERY EXPORTS FROM SELECTED
ASIAN COUNTRIES, 1979-83

Countries	(Value in million US \$)				
	Year 1979	1980	1981	1982	1983
India	24.69	12.67	40.37	36.52	63.11
Pakistan	0.93	0.34	0.62	0.83	1.31
Srilanka	0.83	0.90	0.30	0.97	1.75
Thailand	24.78	55.69	54.26	54.98	93.75
Singapore	20.96	50.45	57.89	83.60	184.03

Source : International Trade Statistics of Jewellery Export (Gold and Silver) ITC, Geneva.

The delegations and study teams which visited the jewellery importing countries in the Middle East observed that there exists a good opportunity for Bangladesh if she wants to enter the market for export of jewellery to those countries. The principal reasons supporting their ideas were as follows :

- a. The jewellery - style, design, carat - wise now being imported by these countries are familiar with those produced and sold in Bangladesh;
- b. The jewellers as far as their craftsmanship is concerned are mostly handcrafted and quality and design wise it can be said that jewellery of similar standard and quality are already in production and distribution fields of Bangladeshi jewellery business.
- c. The study team in fact was able to generate some advance orders from a few interested importers of these countries. The Bangladeshi ornaments they took to those countries during their tours were liked by the prospective importers of Abu Dhabi, Kuwait and Kingdom of Saudi Arabia.

But since the idea of exporting gold jewellery came into the thinking of a few officials at the Export Promotion Bureau in 1981 nothing concrete and material happened till March, 1986 when the Government for the first time formulated a "Jewellery Export Scheme" which was circulated by EPB in April, 1986. Alongwith the formulation of the above scheme, the Export Promotion Bureau and the Bangladesh Bank have also been actively considering the launching of the export scheme as soon as possible.

This Jewellery Export Scheme among others contains the provisions and guidelines for :

- a. Selection of exporters;
- b. Formation of an "Appraisal Committee";
- c. Procedure for supply of gold :
 - i) Gold replenishment procedure
 - ii) advance gold/material supply procedure

as well as some general guidelines to be followed in the implementation of the scheme. A verbatim description of the two alternative procedures for supply of gold is at Appendix - III.

This study investigated into the feasibility of exporting gold jewellery from Bangladesh. The area of investigation included the retail jewellers, the artisans, Jewellery Association, officials of the Export Promotion Bureau, Bangladesh Bank, Sonali Bank and members of the Appraisal Committee.

Questions were asked on the present production process, supply of raw material, marketing and distribution of gold jewellery in the local market including the constraints now being faced by the business as a whole.

The results of the survey of the retail jewellers, artisans, and officials involved in implementing the Jewellery Export Scheme are presented below.

5.1 Experience of Retail Jewellers In Export Of Jewellery

During our survey of the retail jewellers it was found that none of the retail jewellers in Bangladesh had ever exported their products. This is quite obvious as the national policy of the country till today banned import and export of gold

and any gold related items. Whatever gold was transacted and jewellers produced and sold was solely confined to local markets. The following table shows the status of the Bangladeshi jewellers in respect of their experience in jewellery export :

Table : XXIV

EXPORT BUSINESS EXPERIENCE
OF RETAIL JEWELLERS

Types of Response	Frequency	Percentage
Yes	-	-
No	158	100.00
TOTAL :	158	100.00

Export trade is a specialized business requiring certain considerations in respect of continuity of supply, credibility and reliability of the goods supplied as well as the supplier itself. The physical distance between the importer and the exporter makes it more and more imperative that both follow and honour the standards and norms of the business which in turn is a function of the number of years each has been in the line i.e. experience in the import - export business. The feeling of the urgency and importance of observation of the norms, codes, ethics of export business are more a function of experience than simply knowing that they have to be observed. Further, one has to be a keen observer of many characteristics which change sometimes frequently to keep pace with the developments in the importing countries markets.

This is more so in case of gold jewellery business. While countries like India, Singapore, Thailand, Japan and Philippines are in the gold jewellery business for over 15 years and Bangladesh has never been in this sector.

- .1.1 The survey attempted to find out the reasons for Bangladeshi retail jewellers not being in export trade in the past and discovered a number of factors responsible for this. The following table presents the factors which are responsible for non-export of gold jewellery from Bangladesh in the past :

Table : XXV
FACTORS RESPONSIBLE FOR NON-EXPORT
OF GOLD JEWELLERY IN THE PAST

Factors	Frequency	Percentage
<u>Non-availability of gold and supplies:</u>		
Gold	69	24.73
Tools & accessories	22	7.89
<u>Government Policy:</u>		
Ban of import & Export	158	56.63
<u>Finance :</u>		
Inadequacy of Fund	12	4.30
<u>Others:</u>		
Miscellaneous	18	6.45
TOTAL :	279	100.00

From the above table it may be observed that the two significant factors which have been identified by the retail jewellers hindering the export of gold jewellery from Bangladesh are the government policy which bans the import and export of gold and gold related items and the non-availability of gold.

Other factors identified to be responsible for non-export of gold jewellery from Bangladesh includes non-availability of tools and accessories, information about importing countries' markets.

3.1.2 Desire to export

Asked as to their desire to export the jewellery retailers indicated affirmatively. The following table shows the distribution of the respondents to our survey question regarding their willingness to be in the export of gold jewellery :

Table :XXVI

ATTITUDE OF BANGLADESHI JEWELLERS
IN EXPORTING GOLD JEWELLERY

Types of Response	Frequency	Percentage
Willing to export	123	85.42
Not willing to export	21	14.58
TOTAL :	144	100.00

3.1.3 Assistance desired by the jewellers if export is to be made

Asked about the possible assistance the jewellers may need to be in gold jewellery export trade the respondents indicated that they would need the following :

Table : XXVII

ASSISTANCE DESIRED BY RETAIL
JEWELLERS

Types of Assistance	Frequency	Percentages
Permission to import gold	119	20.34
Bank Financing	112	19.15
Easy & Simple Export Policy	122	20.85
Availability of market information	78	13.34
Permission to import stones	91	15.56
Permission to import tools and accessories	63	10.76
TOTAL :	585	100.00

From the above table it may be observed that the assistance desired by the retail jewellers to enable them to export gold jewellery is needed mostly in having the supply of gold, in financing operations and an easy and simple export policy from the government.

3.1.4 Export of studded jewellery

Gold jewelleries made of gold only can fetch the price for the addition of value through the appeal of designs but if studded with precious or semi-precious stones these are likely to fetch far better prices. India is considering to increase the production of gold studded jewellery to increase their overseas market share (Gem and Jewellery Export Council Journal, May 1984).

Asked about the availability as well as suitability of the locally available stones for producing jewellery for export, the respondents indicated as follows :

Table : XXVIII

AVAILABILITY AND SUITABILITY OF
LOCAL STONES

Types of Responses	Frequency	Percentage
Sufficient	14	10.52
Insufficient	119	89.48
TOTAL :	133	100.00

It may be mentioned in this connection that the gem and jewellery exporting countries in other South and South East Asian countries while exporting gold jewellery both plain as well as studded also earn large profits from exporting cut and polished precious and semi-precious stones. India for example earned approximately US \$ 29 million and US \$ 38 million through exporting of precious and semi-precious stones during 1984-85 and 1985-86 respectively. These stones are imported as 'roughs' by India from the producing countries and after cutting and polishing these are sold as stones as well as used to make studded gold jewellery.

The following table shows the relative position of gold jewellery and the precious and semi precious stones as well as pearls in the export portfolio of Indian gem and jewellery business :

Table : XXIXGOLD JEWELLERY AND PRECIOUS/SEMI-
PRECIOUS STONES EXPORTED BY INDIA

Items	1985-86	1984-85	(Value: Rs. in crores)	
			Percentage 1985-86	Percentage 1984-85
Gold Jewellery	86.00	86.00	59.72	67.19
Precious/Semi- precious stones	50.00	35.00	34.72	27.34
Pearls	8.00	7.00	5.56	5.47
TOTAL :	144.00	128.00	100.00	100.00
Source : The Gem & Jewellery Export Promotion Council - 1986				

5.2 Potential Markets For Export of Gold Jewelleries

The data for this part of our study come from the secondary sources which includes study tour reports of different missions from Bangladesh to Middle East countries over the last 6 years, publications of trade of gold and other types of jewelleries of the International Trade Centre (ITC) and the Gem and Jewellery Export Promotion Council of India.

The main focus is on the jewellery markets of the Middle East countries. While the demand for gold jewelleries in these markets can be assessed through the published information the other side of the marketing of jewellery i.e. the production process, pricing, etc. are yet to be explored.

5.2.1 Importers of gold jewelleries

The two study teams which toured selected Middle East countries as well as the documents of the ITC identify those who are in this sector.

3.2.1.1 The Jewellery Markets in UAE and KSA

The exporters to the markets in the above countries consist of Switzerland, Federal Republic of Germany, France, Spain, Italy, United Kingdom, Belgium, India, Pakistan, Srilanka, Hongkong, Singapore and Thailand.

Majority jewellery houses, particularly in the UAE, are owned by Indians and in most cases, they have own jewellery business back home.

The countries which export gems and jewelleries to these markets have long experience and credibility with the importers. In many cases the arrangement for import involves supplying of gold bars in advance to the exporters and business is carried out on mutual trust.

3.2.2 Consumer Preferences

This section presents the demand aspects including the characteristics, volume, design etc. of gold jewelleries in the Middle East markets. In the absence of a primary investigation into this area this study draws heavily on the secondary sources of data from more than one sources. This provides us the opportunity of establishing the reliability and validity of information so collected through the process of cross referencing.

Consumer preferences for our purpose mean and include the product design, quality of gold and the presentation of the jewelleries preferred in general by the buyer in the markets under reference.

Gold jewelleries in most of the Middle East countries markets are bought by women not only for adornment purposes but also for insurance against any lean time in the future. Consumer preferences,

however, vary with various factors like the level of income, social strata to which they belong, age, nationality and sex.

The consumers in the Middle East markets may, however, be grouped into two major groups viz, the nationals of these countries and the expatriates who work there. Whithin these two major classes the characteristics of income, age, social strata and sex of the individuals will determine the actual and potential consumers of gold jewelleries.

This study did not have the scope to look into the needs of the customers and their preferences. This needs a survey to identify the above two particular characteristics of the consumers as well as to identify their shopping habits, the use of media etc. In order to develop a marketing strategy we would need information about the promotion mix and distribution channels of these markets. A description of the style and designs preferred by the customers in these markets is given in Appendix - I.

3.2.3 Country preferences

As have been stated earlier that the consumer preferences within a country vary from individual to individual based on certain demographic factors, the same also vary in between the countries too. The following is a description of variations in preferences of the consumers among the countries of the Middle East :

Table : XXX
CONSUMER PREFERENCES IN SELECTED
COUNTRIES

Countries	Consumer classification	Carat preferred	Designs/forms of ornaments	Exporting countries
<u>ARABIAN GULF</u>				
Dubai, Abu Dhabi Saudi Arabia	Arabs Indians Europeans	Normally 22 carat gold but 21 and 18 carats also	In the form of ingots, bangles, bracelets, Kubai Satami styles of wrist & neck wear jewelleries studded with diamonds, gems, earnings,	Switzerland Italy United Kingdom, Kuwait Lebanon West Germany U.S.A. Hongkong Japan India France Spain
<u>IRAN</u>				
	Iranians Expatriates	22 carat gold		
<u>QATER</u>				
	Local Immigrants	22 carat gold	Hand made and oriental designs,	Taiwan Singapore Bahrain
<u>KUWAIT</u>				
	Local Immigrants	22 carat gold	Moorish Mogul, and modern designs Kundan from Jaipur, India and from Southern States of India	Egypt Belgium Iran Norway Jordan Syria Thailand
<u>BAHRAIN</u>				
	Local Immigrants	18 and 22 carat gold		

Market survey data available from the reports of the study missions and jewellery delegations from Bangladesh and India and Foreign Trade Bulletin (ITC, December, 1976) show that the markets in the above countries have as yet quite a tremendous scope for exporting gold jewellery. In most of the markets in the countries referred to above gold jewellery preferred range from historical Moorish, Mogul to modern designs. The oriental designs like Kundan jewellery from Jaipur in India and also designs from South Indian States are also in demand in these markets. In addition to the above gem studded jewellery using diamonds, rubies, emeralds and cultured pearls are in high demand in the jewellery markets of Iran, Kuwait and Bahrain. Bracelets and bangles are preferred in all the markets especially where the immigrant workers are working because these families choose these ornaments as investment items to invest their earnings for the future. In Kuwait which imports a substantial quantity of gold jewellery a high demand exists for heavy jewellery with oriental designs.

In United Arab Emirates gold jewellery of both 21-22 carat mostly from India and a little from Lebanon and Pakistan and the 18 carat gold with or without stone settings from Italy are in high demand.

Gold jewellery from the European countries also are preferred items in these markets. The jewellery from European countries unlike India, Pakistan are machine made and attract some consumers more than the hand crafted ones.

Jewellery markets in Abu Dhabi, Dubai and Kingdom of Saudi Arabia, however, have high demand for handcrafted gold jewellery with oriental designs. (Report of the Bangladesh Study Mission, July, 1985).

3.2.4 Volume of imports

The jewellery businesses of the countries in the Middle East sell quite large quantities of jewellery imported from all over the world. Each individual country to meet the varying demands and preferences of the buyers imports jewellery from 10 to 30 countries from Asia and Europe. The following table shows the imports of gold and silver jewellery by selected countries during 1979-1983:

Table : XXXI

IMPORT OF GOLD AND SILVER JEWELLERIES
BY SELECTED COUNTRIES OF THE MIDDLE
EAST 1979 - 1983

(Value in million US \$)

Importing Countries	1979	1980	1981	1982	1983
Saudi Arabia	271.71	419.62	771.99	895.91	696.14
Kuwait	-	-	-	231.00	205.42
Oman	3.11	3.39	11.12	11.46	17.22
Qatar	4.24	4.33	5.37	7.10	13.10
Bahrain	2.62	2.54	9.19	13.19	10.86
Jordan	2.12	0.76	1.70	10.71	4.56
TOTAL :	283.80	431.14	799.37	1169.95	
WORLD TOTAL :	3159.29	3490.80	4196.73	4576.61	4389.63
PERCENTAGE :	8.98	12.35	19.04	25.56	21.58
Source : International Trade Statistics of Jewellery (Gold and Silver) ITC, Geneva, 1984.					

The above figures show the volume of gold and silver jewellery imports of the individual countries in the Middle East as well as their relative share of the total imports by importing countries of the world.

It is observed that since 1979 the volume of imports of gold and silver jewellery by these countries are increasing and within a period of five years the same has increased threefold.

3.2.4.1 Saudi Arabia

The imports of Saudi Arabia in respect of gold jewellery shows a marked rise in terms of value from 1979 to 1982 and some decline in 1983.

The country imports gold jewellery from approximately 26 countries amongst whom Italy ranks the top most. Other countries are India, Hongkong, Switzerland, Lebanon, UK, and West Germany. The rise in the value of imports by Saudi Arabia indicates good prospects for jewellery export to that country though there are competitors in the field with years of experience and established credentials. A list of all countries which currently are exporting gold jewellery to the Middle East countries are at Appendix - IV.

3.2.4.2 Kuwait

Kuwait's import volume of gold jewellery compared with other importing countries in the region is significant. The country has been in gold jewellery import trade for long now though the statistics for some years between 1977 and 1983 are not available from published sources. In 1977 Kuwait imported jewellery worth 10,223,430 Kuwaiti Dinars.

The country imports gold jewellery from about 23 countries of the world amongst which Italy ranks the top most with a share of 72.8% of the total and India ranks second with a share of 14.8%. The remaining 12.4% of the import market is shared by 21 other countries prominent amongst whom are U.K., Hongkong and Lebanon.

Kuwait has a good demand for jewellery. Official procedures which are a little cumbersome (as have been observed by the study mission from Bangladesh and presented in the section on trade practices in the importing countries) of course do not affect the import trade much as the local demand for jewellery is quite high which cannot be met by Kuwaiti jewellers.

One characteristic of the Kuwaiti jewellery market is that there exists a good demand for heavy jewellery with oriental designs.

3.2.4.3 Oman

Import of gold jewellery by Oman has also risen steadily in value from 1979 to 1983. Within a period of 5 years the country's value of gold jewellery import has risen from US \$ 3.11 million to US \$ 17.22 million which is about six fold increase in absolute value.

Oman imports from a number of countries of the world. There is a good demand for heavy jewellery with oriental designs in Omani market as most of the immigrant workers now working in Oman as well as in other Middle East countries prefer to invest their wages in jewellery for the future.

3.2.4.3 Qatar

As indicated in the table above the value of jewellery imported by Qatar has also risen from 1979 to 1983. From US \$ 4.24 million the value of the jewellery imported by the country rose

to US \$ 13.10 million. This rise is about four-fold over a period of five years.

Qatar imports jewellery from about 20 countries from all over the world amongst which the most prominent ones are Hong Kong, India, Lebanon, Bahrain, France, Italy and Switzerland.

Imports from India rank topmost while Hongkong is the second exporter in terms of Qatar's market share.

The rising trend in the value of the imports indicates that good prospects exist for exporting jewellery to these markets.

The jewellery in high demand include those with hand-crafted oriental designs.

2.4.4 Bahrain

The value of jewellery import by Bahrain has gone up from US \$ 2.62 million to US \$ 10.86 millions over a five year period between 1979 and 1983. This is an increase of five times in absolute value over the value of imports by the country in 1979.

Bahrain imports from a number of countries from all over the world. Manufactured jewellery studded with diamonds, emeralds and pearls are preferred in Bahrain and are imported from all parts of the world.

2.4.4 Jordan

Jordan's imports of gold jewellery have doubled in value between 1979 and 1983. The country imports from a number of countries from all over the world.

3.3 Jewellery Export Business

Jewellery exports, both gold and silver have flourished in terms of value of exports from the exporting countries as well as through a steady increase in the demand for such jewelleries in the importing countries markets.

This study focused only on the jewellery markets of the Middle East as potential importer of jewelleries. The increasing affluence of these countries along with the increasing preferences for jewelleries for various reasons indicates that the demand for jewelleries will further increase in the coming years. At the same time many of the exporting countries are increasing their export production and expanding their shares in the total market in the importing countries.

Since the buyers of jewelleries in the Middle East markets comprise of both local as well as expatriates the motive for buying jewelleries and the designs preferred vary widely in the markets. Thus while some buy for regular adornment purposes other usually buy them as insurance against rainy days. Accordingly design of ornaments and jewelleries preferred also range from those with heavy oriental designs to modern light jewelleries. Designs like Moorish, Mogul as well as those from South India are also in good demand in many of these markets.

The exporting countries have also increased their volume of exports over the last few years. The following table shows the volume of exports from selected countries of South and South East Asia to Middle East countries as well as their share of total world exports during 1979-1983:

Table : XXXII

EXPORT OF GOLD AND SILVER JEWELLERIES
BY SELECTED COUNTRIES TO THE MIDDLE
EAST DURING 1979-1983

(Value in million US \$)

Exporting Countries	1979	1980	1981	1982	1983
Hongkong	213.94	250.73	244.56	258.71	264.39
Japan	139.63	232.01	248.39	198.39	282.85
Korea	-	100.94	104.05	105.08	-
Thailand	24.78	55.69	54.26	54.98	93.75
Singapore	20.96	50.45	50.45	57.88	184.09
Philippines	12.92	12.00	9.43	7.52	7.67
India	24.69	12.67	40.37	36.52	63.11
Pakistan	0.93	0.34	0.62	0.83	0.31
Srilanka	0.23	0.90	0.30	0.97	1.75
TOTAL :	438.08	715.73	759.86	746.59	898.92
WORLD TOTAL	4,239.31	4,776.92	5,612.02	5,610.54	5,491.64
Percent	10.34	14.98	13.53	13.31	16.39
Source : International Trade Statistics of Jewellery (Gold and Silver) : world Exports, ITC, Geneva					

It may be observed that jewellery exports from selected countries in the South and South East Asia have increased about 6 percent over the last five year period between 1979 and 1983. Of the countries exporting jewellery to Middle East countries India exported gold jewellery 63.11 million US \$. India's total exports, however, during 1983 were for US \$ 75 million (approx.). And now that a gold jewellery export replenishment scheme has been introduced since 1982, the trade is optimistic (Gem and Jewellery Exports : Trends and Prospects, the Gem and Jewellery Export Promotion Council bulletin, 1985) that gold jewellery export will touch the Rs. 200 crore mark (about US \$ 167 million) in the first full year of its operations.

The exports from the countries of the South and South-East Asia when compared with the total exports from other countries of the world indicate that these constitute 10 to 16 percent of the latter. This indicates the demand for jewellery from this region. Quality and design wise it has also been observed that there exists good demand for both manufactured as well as for heavy handcrafted ornaments and jewellery with oriental designs.

In many of the countries of the Middle East India has already established herself as the leading exporter. Indian jewellery both plain and studded are in quite high demand in the jewellery markets of these countries. Dubai and Abu Dhabi especially are the two countries where India ranks top most exporter in jewellery.

3.4 Export Marketing Strategies

Export of gold jewellery to Middle East countries would require information on the demand for jewellery in these markets, marketing channels of distribution, trade practices, contact point, and

the control mechanism and promotional aspects in order to develop a marketing strategy. In the absence of primary data this study largely depends on the secondary data sources including the reports of the study tours and missions who visited those countries from Bangladesh and India from time to time over the last few years.

A survey of the secondary data on trade practices, contact points, marketing channels of distribution and the pricing mechanism now operative in the jewellery markets of the Middle East provides us the following information on the nature and characteristics of the above marketing variables:

5.4.1 Trade Practices

Any potential exporter desirous of exporting gold jewellery to the United Arab Emirates will have to undergo the following procedures:

- i) Acquire a trade licence from the Chamber of Commerce,
- ii) A residence permit,
- iii) A local sponsor (not a must)
- iv) Business premise must be in an area designated for the purpose and cannot be a room in one's residence
- v) Payment of an annual Municipal levies @ of 10% of the office rental and @ 5% of the residence rental
- vi) A work permit

The above formalities also hold good for trading with Kingdom of the Saudi Arabia.

3.4.2 Import Procedures of Middle East Countries

The UAE and the KSA markets allow import of jewellery under any one of the following three forms:

- i) Against letter of credit (L/C)
- ii) Against replenishment of gold and
- iii) Against advance supply of gold depending on importer-exporter relationship.

Import of jewellery against letter of credit is prevalent in the case of trade with advance, countries like Italy, Switzerland, FRG, France, Spain, U.K., Belgium etc.

Imports of jewellery against replenishment of gold scheme are made in the cases of India, Pakistan, Srilanka, Hongkong, Singapore and Thailand. Imports from these countries are also made on the basis of advance supply of gold bars by the importers, Jewellery Export Scheme of Bangladesh also recognizes the same procedures for export of gold jewellery from Bangladesh except the one against letter of credit. The associated procedures involving ~~the~~ replenishment of gold or the advance receipt of gold by the Bangladeshi exporters conform to the procedures of the two countries laid in this regard.

The arrangement for import of manufactured jewellery against advance supply of gold to exporters in practice in UAE and the KSA works on the basis of mutual understanding and trust between the importer and the exporter.

3.4.3 Marketing Channels

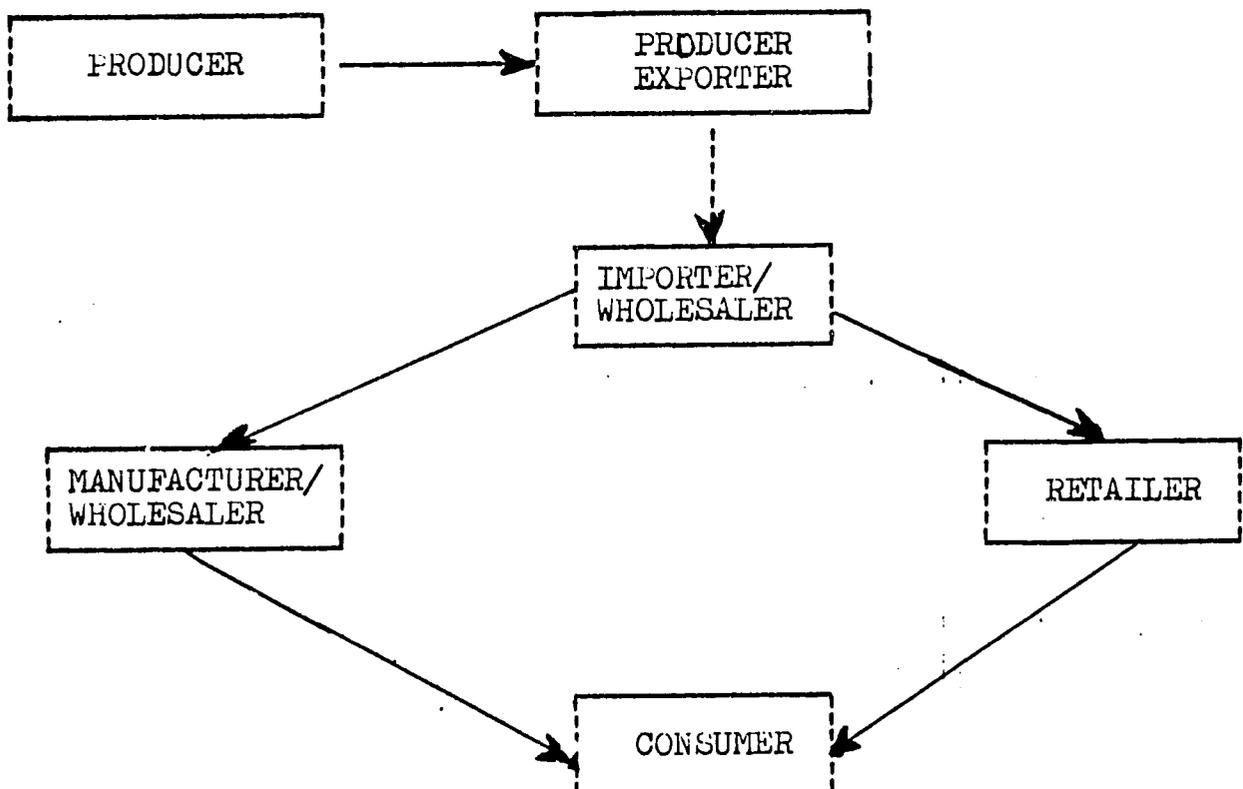
The distribution channels for gold jewellery in the Middle East market are more or less similar except in one or two cases

where the country concerned is engaged in re-export of imported jewelleryes.

In case of UAE and KSA there are a number of wholesalers importing directly from foreign suppliers and selling retail through their own outlets, while acting as wholesalers to the rest of the trade. These wholesalers are at times the local producers of jewelleryes as well. The retailers in the jewellery markets of UAE and KSA are also sometimes direct importers and local producers in a limited scale. The distribution channels are, therefore, fairly well defined. Some of the wholesalers also act as re-exporters especially in case of Dubai

In the absence of a published figure it is difficult to estimate the total number of wholesalers and retailers operating in these markets but these appeared to be quite substantial in numbers in both UAE and KSA markets (Report of the Study Mission from Bangladesh, July, 1985). There exists a fair amount of competition among the distribution channels.

The following schematic diagram shows the distribution system of gold jewelleryes in the Middle East Markets:



The jewellery houses particularly in the UAE are owned by the Indians and in most cases, they have their own jewellery business back home. Since there is no restriction in sending gold outside UAE or KSA, these jewellery houses often send pure gold bars in advance and obtain manufactured jewellery through their own business houses in the home country (Report of the Bangladesh Study Tour Mission, 1985, P.4).

3.4.4 Pricing of imported jewelleries

Price of imported jewelleries are determined on a dynamic basis. It moves through out its trading day with the international gold price. The morning prices are based on previous day's New York closing price or Hongkong current price, whichever is higher. With the opening of the Zurich and London markets, the gold prices follow the latest fix, until the New York market opens up, when it follows the New York price.

In the gold souk (market place where gold jewelleries are traded), the jewellers quote price per gram according to carat content. Built into the per gram price is a certain fixed charge for workmanship of designs. In case of Dubai and Abu Dhabi around 2 - 3 US dollar are charged for workmanship of simple designs. The workmanship charge may range upto US \$ 28 for intricate designs.

Retailers in these markets normally have a mark up of about 10 percent on the making charges and a nominal mark up of about 5 percent on the gold price. Except for exports under L/C terms gold prices do not affect the exporter as he is replenished in physical gold.

3.4.5 Advertising and Promotion

In developing the promotion strategies for exported jewelleries to the Middle East market a knowledge of market segmentation

will be required by the potential exporters. While a general idea as to the grouping or classification of buyers are available based mostly on the buyers demographic profile more information will be needed to penetrate the markets and to establish the products.

Information are available from the secondary sources on the characteristics of these markets, buyers behaviour and preferences. Published bulletins of some countries may provide the designs, colour of stones and intricacies in the make up of gold ornaments and jewellerys which have appeals in different segments of the Middle East markets.

4.6 Control Mechanisms of Importing Countries

A survey of secondary sources indicate that no significant restriction prevails on the import of jewellerys in the Middle East countries. In UAE and KSA there is no restriction on the inflow and outflow of gold and gold related items from these two countries.

The present control systems have thus encouraged trading in jewellerys both within and outside the country. Indian jewellery traders having their own jewellery houses both in UAE, and India are enjoying the privilege under which the Indian jewellery houses are sending pure gold bars to their jewellery houses in India and in turn bringing the manufactured items into that country.

Kuwait has over the last few years received complaints from Iranian exporters but no complaint has been received from the exporting countries against the control mechanisms instituted by the importing countries in the Middle East in guiding and regulating the jewellery import trade. In case of Kuwait it has been reported that there is a strict quality control mechanism in force which requires the exporter to comply with certain requirements guaranteeing the quality

of the gold in the exported jewellery. This is being strictly observed and any violation results in severe penalization of the importer through impounding and melting of the entire stock found to be below the required quality at the cost of the importer.

3.5 Opinion survey of the committee on Export

An appraisal committee with officials from the Export Promotion Bureau, customs valuation department, Jewellers Association, Bangladesh Standard Institution, Bangladesh Council of Scientific and Industrial Research, Engineering University has also been formed by the Export Promotion Bureau for assessment of the value of jewellery. Against the background of all these developments this study undertook an opinion survey of those involved in the planning and organizing the launching of the jewellery export scheme for Bangladesh. A structured questionnaire was administered to elicit responses and reactions on the potential export. The following is a summary of the results obtained through the survey :

3.5.1 Origin, growth and development of the idea for jewellery export from Bangladesh

The jewellery business in Bangladesh is one of the oldest business but only in the Export Policy for 1984-1985 it has been specifically spelled out for development as a new export product. The respondents to our survey were, therefore, asked as to what specifically led to the conceiving of the idea for export of jewellery from Bangladesh.

Table : XXXIII
IDEATIONAL ELEMENTS OF
THE JEWELLERY EXPORT FROM
BANGLADESH

Source of Idea	Frequency	Percentage
Routine exploration of exportables	6	28.57
Prompted by developments in markets	6	28.57
Prompted by responses from overseas markets	4	10.05
Don't know	5	23.81
TOTAL :	21	100.00

5.2 Supply of gold for manufacturing jewelleries for export

Under the present state of gold supply position the respondents were asked to identify the sources of the supply of gold for manufacture of jewelleries, six out of 8 respondents indicated that enough gold is available through the already confiscated gold haulages over the last few months and it is also one of the reasons that jewellery export scheme has to be launched immediately. The responses to this open ended question are summarized below :

Table : XXXIV

SUPPLY OF GOLD FOR MANUFACTURE
OF GOLD JEWELLERY FOR EXPORT UNDER
THE JEWELLERY EXPORT SCHEME

Initial Source	Frequency	Percentage
Confiscated gold	6	75.00
Jewellers own source	-	-
Dont know	2	25.00
TOTAL :	8	100.00

The provisions under The Jewellery Export Scheme of the Bangladesh Bank provides for the supply of gold through the procedure of a gold replenishment or advance supply of gold bars by importers. And it has been laid down that "An authorised exporter shall initially use the gold and the stones from his own stock or the initial requirement of gold for manufacturing jewellery may also be provided by the Bangladesh Bank at the international market price prevailing on the day of delivery against undertaking Bank gurantee for export." (Jewellery Export Scheme, 1986). This however, raises the issue of funds to be available with the present retail jewellers to pay for the supply of gold at international market price from the Bangladesh Bank. During our survey the retail jewellers indicated that one of the major problems of jewellery business in the country is inadequacy of funds and the sources other than personal saving and loan from friends are almost non-

existent. Bank loans are hard to come by. Under the circumstances it is quite doubtful whether the scheme could be made operational so far as the supply of gold against payment of full price for the gold supplied by the Bangladesh Bank at prevailing international price is concerned.

In the absence of a financing mode available through bank loans on easy terms the retail jewellers may not be able to pay for the gold arranged to be provided by the Bangladesh Bank.

Again under the gold replenishment scheme an exporter will be allowed to import gold against 75% of the FOB value of the jewellery exported. But then in importing gold he will be required to pay a reasonable margin to the Sonali Bank, the designated importer which will lean to the blockage of funds depending on the volume of import by the jewellery. This may not be a very suitable offer to the retailers who may not like to block their funds when the fund for the business is so scarce.

3.5.3 Quality of gold jewelleryes to be exported

The countries in the Middle East import jewelleryes from a number of countries to meet the varying demands of their customers. A new entrant in exports in these markets will have to compete in quality with such advanced countries like Italy, Switzerland, France, U.K. and U.S.A. whose jewellery industries have developed over a period. Further some of the Middle East markets have rigid quality controls and importers are penalized for importing substandard gold ornaments.

The respondents were asked as to whether the jewelleryes manufactured by Bangladeshi artisans would be able to compete with the jewelleryes manufactured by other countries. The following table shows the responses in this regard :

Table : XXXV
QUALITY OF JEWELLERIES FOR EXPORT

Quality Level	Frequency	Percentage
Able, to Compete	11	100.00
Not able to Compete	-	
Dont Know	-	
TOTAL :		100.00

3.5.4 Export of precious, semi-precious stones and studded jewelleries

Many of the exporting countries earn huge amount of foreign exchange through the export of diamonds, precious and semi-precious stones as well as gold jewelleries studded with gems. India for example earns the bulk of the foreign exchange in this sector through the export of diamonds. Gold jewelleries compared to diamonds constitute only a small part of the total exports of this country in terms of value. Rough uncut diamonds and gems are imported from the countries producing the precious and semi-precious stones and after cutting and finishing these are exported to the overseas markets which include USA, Belgium, Japan, Hong Kong, Switzerland, Singapore and the countries of the Middle East. The total export of Gems and Jewelleries from India are shown at Appendix V and VI. Asked about the feasibility of importing stones and gems in rough and uncut form and then exporting those after finishing and polishing as stones and gems or using those in jewelleries for export, the respondents indicated that they do not consider that the present status of craftsmanship in the area of stone cutting and polishing has developed to that extent where this can be done profitably without incurring huge losses through wastage in the process. The following table shows the position of the respondents on this issue:

Table : XXXVIEXPORT OF PRECIOUS AND SEMI-PRECIOUS
STONES AFTER PROCESSING THE UNCUT ROUGHS

Responses	Frequency	Percentage
Yes	1	16.67
No	5	83.33
TOTAL :	6	100.00

3.5.5 Incentives for jewellery export

The respondents were asked as to what incentives would be given to the jewellers who would undertake export of jewellery from Bangladesh. At present there exists a number of incentives for other export sectors in the form of exemption of taxes, export credit etc.

It was indicated that the usual incentives given to the exporters in general will be given to the jewellery exporters. It was stated that the greatest incentive to the exporters will be that they will be permitted to import gold free of import duty.

3.5.6 Identification of potential entrepreneurs for export of
jewellery

The respondents to our survey were asked as to how the potential exporters would be selected in case of launching the jewellery export scheme, what criteria shall be set for their selection etc. No suitable response was available on this area which we believe constitute an important and crucial aspect of a trade

involving export of jewellery. The mainspring of success in jewellery business over time has been observed to be the reliability and credibility of those involved in the trade.

However, it was stated that the officials of the Export Promotion Bureau were negotiating with the member(s) of the Jewellery Association in Dhaka in identifying and selecting the potential exporters.

As regards the criteria for selection of entrepreneurs nothing has been developed and set so far and the process as was understood will be worked out on the basis of personal knowledge and experience of the officials concerned about a particular jeweller or jewellers.

3.5.7 Number of potential jewellery exporters

The survey also investigated into the number of potential jewellery exporters who are likely to export jewellery from Bangladesh while no estimate was available from those responsible for the launching of the Jewellery export Scheme. It was stated that they consider initially not more than 1 or 2 jeweller should be allowed to export.

As strict vigilance and control is necessary in this line of trade the number of potential exporters would have to be as low as possible. The exporters who will be involved in the jewellery business initially should therefore, be selectively chosen. Jewellers having long experience in jewellery business will be considered.

3.5.8 Knowledge of product, channels of distribution, pricing and import procedures

Exporting of gold jewellery from Bangladesh would require on the part of those to be involved to have a fair knowledge of and acquaintance with the jewellery products now being marketed, the established channels of distribution, pricing system, and the

regulations guiding and controlling the import of jewelleries in importers' markets.

The respondents to our survey were asked to indicate as to how much information is available with the sponsors of the Jewellery Export Scheme on the above marketing variables. The results of the survey are summarized below :

Table : XXVII
MARKETING INFORMATION AVAILABLE
TO POTENTIAL EXPORTERS
IN BANGLADESH

Countires Information Avaiable	Dubai	Abu Dhabi	Quatar	Kuwait	KSA
<u>Product(s)</u>					
Design/Style	+	+	+	+	+
Quality	+	+	+	+	+
<u>Distribution channels</u>					
Whole Sale	+	+	-	-	+
Retail	+	+	-	-	+
<u>Pricing process</u>					
Elements of Princing	+	+	-	-	+
<u>Import regulations</u>					
Authorities	+	+	-	-	+
Procedures	+	+	-	-	+
<u>Promotion strategies</u>	+	+	-	-	+

It may be observed that the sponsors of the Jewellery Export Scheme do not have enough marketing information in order to commission the export of jewelleries to the selected Middle East Countries. whatever information could be sifted from the secondary sources provides only a sketchy picture of these markets. Collection of the information was not carried through standard and acceptable methodology of market survey and as such inconsistencies in the form of coverage are likely to be present. It is therefore, imperative that before commissioning the export of jewelleries to the markets of these countries a market survey based on accepted principles and methodology be carried out. However, a pilot scheme for export of jewelleries at this stage is in order.

3.5.9 Production process of exporting countries

Information on the production process of jewelleries used by the exporting countries, however, have yet to be gathered. The study mission comprising members from the Export Promotion Bureau and the representative of the jewellery business who visited the Middle East countries indicated that jewelleries both handcrafted as well as machine made are traded in those markets.

Jewelleries from India which are exported to the markets of the Middle East, are, however, predominantly handcrafted. Jewellery business in India is a labour intensive one and employs a large majority of unemployed labour. The diamond industry employs a large part of the surplus labour.

while other exporting countries like Italy, Switzerland, France export machine made jewelleries India with her predominantly handcrafted jewelleries have already been able to capture a sizeable portion of the Middle East countries' markets.

Mechanization, however, on a limited scale for example in chain making may be feasible but not on a scale where the same will throw out the currently employed labour out of business.

3.5.10 Collaboration with other exporting countries

This survey investigated into the feasibility of a possible collaboration with other neighbouring countries who have been in this line of business for quite sometime now and have already established themselves in those markets. The major assumption behind such collaboration is that these countries would help facilitating the access of Bangladeshi jewelleries to those markets. The respondents were asked whether such a collaboration is necessary and profitable.

The results of the survey are summarized below :

Table : XXXVIII

COLLABORATION WITH OTHER
JEWELLERY EXPORTING COUNTRIES

Response Types	Frequency	Percentage
Yes	-	-
No	8	100.00
TOTAL :	8	100.00

The respondents were of the opinion that Bangladesh with the tradition of making fine quality of gold jewellery and excellent craftsmanship would be able to make an access to the potential export markets and as such the idea of collaboration has never been thought of.

3.6 Prospects for Export

A survey of the retail jewellers, artisans and the information available on the markets of the Middle East countries indicate that there exists a good potential for readymade gold jewellery from Bangladesh in the markets of the Kingdom of Saudi Arabia (KSA) and the countries of the United Arab Emirates (UAE) e.g. Dubai, Abu Dhabi etc.

3.6.1 Supply of Jewellery

Availability of gold in the country determines the supply of gold jewellery. Assuming that the jewellery Export Scheme providing for and ensuring the availability of gold, this barrier will be removed. What is needed is to establish reliability and credibility in the markets through careful selection of exporters, maintenance of standard quality and continuance and stability of supply.

IV. CONCLUSIONS AND RECOMMENDATIONS

In this chapter the conclusions and recommendations which have emerged from the survey undertaken in respect of the export of gold jewellery are presented. This study specifically investigated into the present status of the local gold jewellery business and the feasibility of exporting gold jewellery especially to Middle East countries.

4.1 Conclusions

Gold jewellery industry occupies a very important position in the economy of the country. Being one of the oldest industries it provides employment to 2-3 lacs of people - a significant part of the labour force. But because of the nature of the raw material gold and gold related items have always been a sensitive issue. The industry enjoyed less and less autonomy than business in other sectors.

Further, in a controlled economy like ours the functioning of gold jewellery industries come under the strict vigilance and control of the government. The availability of gold which determines the supply of gold jewellery has since the beginning of this century been controlled by the government. And while the then government of Pakistan allowed only a limited import of gold, gold and gold related items have been banned from import into the country since the independence of the country. As a result whatever gold is available to the jewellery business barring of course those which enter the stream through illicit channels is that possessed by customers who bring it to the jewellers for change of designs. Only a little amount comes from sources like bullion markets and foreigners who sometimes sell gold in local markets.

While the gold jewellery industry employs such a large segment of the labour force and occupies a significant position in the local market the industry did never grow in any organized form. During the early seventies gold ornaments and jewellery industry

suffered a set back when using those either as wedding gifts or for similar purposes were socially discouraged.

While investment in jewelleries is not considered as wise investment by some the reality is that this precious metal having an international currency value still enjoys the highly preferable investment item in the portfolio of investment items in the developing countries where investment in other business and industry is considered as only too risky by individuals. Opinions have also been expressed during our survey that gold provides a suitable medium for investing and transforming black money earned by some in the country. Gold jewellery industry especially suffers from the inadequacy of finance whose source consists of personal and family savings in bulk and only a little from other sources including banks.

Coupled with the constraints observed in our study as indicated above are the paucity of marketing information, availability of designs for adaptation and innovation, taxes, government procedures and regulations, non-availability of tools, machinery, chemicals and insurance facilities against risk that went against healthy growth and development of the local industry.

But while the local market for the jewellery industry is beset with numerous constraints gold jewelleries still have a promising potential market in overseas countries. Countries like India, Thailand, Hong Kong, Italy, are already taking this opportunity of exporting the gems and jewelleries to overseas markets and are earning sizeable amount of profits through such exports. According to the Indian Gem and Jewellery Export Council, with new gold replenishment scheme coming into operation from 1984 Indian gem and jewellery Industry was optimistic that the gold jewellery exports will touch the US \$ 167 million mark by 1986. Today the gem and jewellery export

industry has surpassed many industries in the country. From a bare Indian Rs. 21.53 crores in 1966-1967 the exports of gem and jewellery industry have risen to Indian Rs. 1224.45 crores in 1983-1984.

Italy on the other hand beginning with an export earning of US \$ 250.616 million in 1979 by exporting gold jewelleryes to Saudi Arabia have raised the same to US \$ 449.801 million in 1983.

Indian gold jewellery industry is highly labour intensive. The investment employment ratio is one of the lowest. Power requirements are minimal. The Indian exporters over the years have acquired the knowledge of quality, designs, price ranges of gold jewelleryes demanded by the jewellery industry the world over; and the industry with the entrepreneurial skill exploited the business opportunities thrown open by world markets, adjusting the jewelleryes produced for export with the quality, style, and designs preferred by the consumers in the overseas markets.

Bangladesh also has the similar opportunity to exploit the jewellery export markets. Quality, design and craftsmanship wise the jewelleryes produced in the country are similar to those produced in other Asian countries now exporting to the markets of Middle East Countries. The reports of trade delegations to the fairs in Middle East and the study teams/missions' reports on selected countries markets e.g. Dubai, Abu Dhabi and the Kingdom of Saudi Arabia indicate that the most of the jewelleryes now being imported and sold in these countries' markets are more or less similar to the range of gold ornaments and jewelleryes produced locally. The importing countries concerned currently import jewelleryes from quite a large number of exporting countries to meet the varying demands, tastes and preferences of the buyers in those markets which range from jewelleryes with machine made modern designs to handcrafted, heavy and in oriental designs.

While information on the demand for gold jewellery in the markets of Middle East countries is not adequate and would need an organized market survey to be undertaken before jewellery can be exported the reports of trade delegation and mission indicate that there exists some demand for Bangladesh jewellery in the jewellery markets of the Middle East. Further, the volume of imports from the exporting countries also indicate a trend of rising demand for gold jewellery in these markets over the last 5 years.

Considering the capability of the retail jewellers and artisans in Bangladesh and the demand prospects for gold jewellery in the Middle East market Bangladesh can take this opportunity to exploit these markets. However, as revealed through our survey while the architect and sponsor of the Jewellery Export Scheme - the Export Promotion Bureau appears to be overly optimistic we would like to be a little cautious in this area.

Before Bangladesh could actually commission the export of gold jewellery to the Middle East countries certain important marketing issues have to be resolved. These include knowledge about the production processes in the exporting countries, product designs, quality and quality control requirements of the importing countries, potential contacts, market access requirements, marketing channels of distribution etc. While some information are available on these issues more is needed and that again needs to be collected through organized market surveys. These information would provide valuable inputs to the formulation, development and implementation of an export marketing programme and in the development of a suitable promotional and development strategy for Bangladeshi jewellery.

A knowledge of customer preferences and the state of technology in jewellery design and production would provide inputs to the production of jewellery for export as well as to face the competition

in this area from other exporting countries which have long standing experience as exporter of jewelleries to those markets.

The Jewellery Export Scheme formulated recently by the Bangladesh Bank can go a long-way in mitigating the supply of gold to the jewellers desirous to be in the export trade of jewelleries. The gold supply procedures provided under the scheme are more or less similar to those now in operation in India and Pakistan. The difficulty with the provisions is that under one of the procedures viz., the gold replenishment scheme the potential exporter may obtain the supply of gold for manufacture of jewellery from the Bangladesh Bank on payment of price prevailing on that day at the international market unless the exporter opts for using gold from his own stock which is almost a remote possibility considering the present status of gold supply and availability in the country. Buying of gold from the Bangladesh Bank at the current international price would involve quite a large sum of money to be invested in acquiring gold for a sizeable volume of export. The financial status of the retail jewellers in the country does not indicate a lucrative proposition so far as this scheme is concerned. Many may not feel like blocking their funds or even be able to pay for the price from their business. Moreover the jewellery business has yet to establish their credibility and reliability with the Banking sector as a whole. Lack of finance could pose a hurdle to the operationalization of the gold replenishment scheme initially and during sub-sequent imports. And the scheme may remain as a non-starter for want of enthusiastic potential exporter. Even in India where bankers insist that no other industry has been able to obtain as much bank support as the gem and jewellery industry, the industry is pressing for more and more bank financing on the plea that if more exporters are to be brought in the field adequate finance from banks must reach the industry and as such more and more banks should be encouraged to enter the financing field.

The other alternative provision of bringing in the advance supply of gold bars from the importers and then manufacturing jewellery for exporting to those importers appears to be more comfortable proposition considering the present financial status of jewellery industry in Bangladesh. Under this provision the potential exporter can earn the foreign exchange through realization of the price for value addition to the gold without having to pay for the price of the gold in advance. But this system operates on the basis of mutual understanding, reliability among the importers and exporters.

In case of Indian exporters the jewellery houses particularly in the UAE are Indians and in most cases, they have their own jewellery business back home. And since there is no restriction in sending gold outside UAE and KSA, these jewellery houses often send pure gold bars in advance and obtain manufactured jewellery through their own business houses in the home country.

The general procedures in connection with the import and export as have been enunciated in the Jewellery Export Scheme also merit examination to the effect that the scheme appears to have some in-built procedural bottlenecks in the form of requiring duplication of work, delays in processing of work and other encumbrances which might ultimately defeat the spirit of the scheme. While many of these are likely to be surfaced once when the scheme is made operational but from our experience with a similar scheme now in operation in India at least one or two problems can be cited. For example, for a similar provision in the Import Export policy 1983-1984 of India where replenishment licences are given against exports on submission of prescribed documents with the application viz., the bank certificate in original of exports effected and bank-attested copy of the invoice. Yet there is insistence on production of bill of lading, postal receipt/shipping bill as the case may be which is not authorized. It has delayed applications, increasing input costs and impedes production.

To sum up it may be said that given the present status of the jewellery industry in Bangladesh and now that the Jewellery Export Scheme has been formulated which would take care of the supply of gold to potential exporters, Bangladesh may seriously consider the possibility of commissioning of the scheme. But before this can be done some other important issues involving both supply and demand side should be resolved. This involves collection of information on the production process of exporting countries, selection of entrepreneurs as potential exporters, training of artisans through availability of trainers if necessary from exporting countries and providing necessary assistance to the jewellers to obtain tools, accessories, chemicals etc. as in introducing and promoting jewellery from Bangladesh in the importing countries' markets. These have been discussed in the following section on recommendations of this report.

.2 Recommendations

This section contains the recommendations on the feasibility of gold jewellery export from Bangladesh. These recommendations are based on the findings of jewellery market survey and are made against the background of the recently announced Jewellery Export Scheme of the Bangladesh Bank.

.2.1 Potential for growth

The jewellery industry in Bangladesh which is one of the oldest industries of the country enjoys a reputation of producing finest quality of jewellery. The industry is highly labour intensive and the investment-labour ratio is one of the lowest compared with other industries of the country. Thus the industry is quite suitable to a country like Bangladesh where capital is scarce and labour is in abundant supply.

The industry has, however, never grown to its desired potential because of the government policy and other associated factors

involving financial and marketing aspects as a whole. If on the other hand the industry could be made export oriented considering the present limitation in terms of size, buying capacity of the local markets it could become a profitable venture both in terms of earning of foreign exchange as well as in easing the unemployment problem. Under the present circumstances the gold industry in Bangladesh does not have much prospects to grow and develop.

4.2.2 Demand for gold jewelleryes

A survey of the secondary data on the demand characteristics in general indicates that there exists a good potential for the hand-crafted jewelleryes with oriental designs in some of the selected Middle East countries like Dubai, Abu Dhabi, Kuwait, Qatar and the Kingdom of Saudi Arabia.

Since the jewellery industry has the tradition of making quality gold jewelleryes with oriental designs, it may exploit this opportunity.

Contacts with the markets in the Middle East through delegations, missions etc. resulted in encouraging responses from a cross section of these markets but exports of jewelleryes could not materialise because of the government policy on import and export of gold and gold related items to and from Bangladesh.

Since other Asian countries like India, Hongkong and Thailand are successfully exporting gold jewelleryes to those markets Bangladesh with her jewelleryes which bear some commonality in style and design have a good potential for exporting gold jewelleryes to those markets.

Now that a scheme for import of gold and export of gold jewelleryes to and from Bangladesh is available exclusively to those who will be exporting gold jewelleryes from Bangladesh.

A market survey should be undertaken in order to assess the potential demand for the volume, design, quality etc. of the jewelleries from Bangladesh in the importing countries market before launching an export programme for exporting gold jewelleries to those markets

The secondary data available on this area provide only a general partial picture of demand characteristics of these markets.

2.3 Supply of gold jewelleries

None of the jewellery houses had ever been in export business and as such does not have any experience in this line. An assessment of supply capacities and skills of manufacturing jewelleries for export is a prerequisite to a successful export programme.

While there exists a general indication as to the potentiality of Bangladeshi jewelleries making inroads into the selected importing countries markets many of the constraints exist in launching an export programme. Some of these constraints have, however, been proposed to be removed in the Jewellery Export Scheme but there are others which need to be taken care of before the export of gold jewelleries can be undertaken.

2.4 Skill and Capability

Design of jewelleries play a very significant role in the successful marketing of jewellery products. Though the secondary data provide some information about the consumers tastes and preferences these are not very specific in nature.

Further, design changes not only are fast but also are influenced by the exporting countries designs which these countries try to promote and develop in the importing countries' markets.

Arrangement and plans should be undertaken in order to set up a marketing information system so that the potential jewellery exporters in Bangladesh could be provided with the knowledge of designs currently in vogue in the importing countries' markets

Quality of jewelleries is another significant factor which determines viability of exports in the Middle Eastern countries. A few countries have quite stringent rules and policies of quality control.

While an Appraisal Committee for valuation of jewelleries for export has been proposed under the jewellery Export Scheme and import of machinery to check on the quality of the gold arrangement is being stipulated procedures for checking of quality as well as provisions for restricting below standard exportables to enter into the stream should be specifically formulated.

State of technology in the production of gold jewelleries is also significant in producing gold jewelleries with designs appealing to the tastes and preferences of the consumers and to meet the standards of quality specified in the market. While handcrafted jewelleries are in demand in the potential importing countries' markets many of the exporting countries in addition to hands also use certain tools and accessories in order to overcome the deficiencies which occur through the use of hand only.

In Bangladesh because of the government policy so far in vogue not only gold and gold related items were banned from import but also the tools, accessories, chemicals for the making of gold jewellery were banned from import.

While the recently announced Jewellery Export Scheme provides for the import of gold and the tools and accessories an assessment of the nature, type and kind of tools now being used by the exporting countries should be undertaken in order to estimate and establish the demand for the tools and accessories which shall be required in making gold jewellery of exportable standards.

Production process involved in jewellery making contributes to the appearance of jewellery produced. For example, machine made jewellery from Italy find gold markets in Bahrain because of the quality of fabrication, intricacies of designs etc. Even in the countries largely exporting handcrafted products the production processes have developed to an extent which can support a profitable volume of export and take care of certain defects of handcrafting of jewellery. In Bangladesh, the jewellers while making jewellery use a lower grade material when joining gold ornaments which tends to be blackened after sometime. The expertise of using the same material is not available with the artisans.

A survey of the production process of the gold jewellery exporting countries should be undertaken in order to gather and provide the Bangladeshi artisans the knowledges in this area which would assist them in making jewellery of exportable standards as well to face the competition.

4.2.5 Selection of entrepreneurs

Gold being sensitive, for export of gold jewellery the government institution will be solely responsible for implementing, monitoring and controlling the business.

Selection of entrepreneurs for this sector must be undertaken with utmost care as on this would depend the entire future of the jewellery export. While many have expressed their desire to be in export business for gold jewellery a not a significant portion of those interviewed by us appears to have the needed reliability and credibility which is so much needed in this business. An unscrupulous entrepreneur may totally destroy the image of the industry in the overseas markets.

The export Promotion Bureau which has been given the responsibility to select the potential exporters with assistance from the Bangladesh Jewellery Association in Dhaka has not so far been able to succeed in selecting the potential exporter(s).

In order to establish the needed reliability and credibility in the importing countries markets suitable criteria for selection of potential exporters based on their financial soundness, quality of products, credibility and reliability in the local markets etc. be developed.

4.2.6 Promotion and development of export business

In order to launch and sustain a successful export programme of the gold jewellery the products would need support through carefully organized promotional activities. Based on the buyers characteristics, segments of the importing countries' markets and the consumers preferences an appropriate strategy for the promotion of gold jewellery may be developed and suitable media selected to operationalize the same.

Arrangement for displaying the gold jewellery through exhibition-cum-sales visit should be made in the importing countries so that potential exporters would be able to show their products to the intending buyers and convince them of the products.

Permanent display window may be set up in importing countries to display the Bangladeshi jewellery as a measure to introduce the jewellery in those markets.

Publicising the jewellery products through the newspapers, trade and commerce periodicals, publications of Chambers of Commerce of the countries concerned would also go a long way in introducing the Bangladeshi jewellery to the potential importers and users.

.2.7 Training of exporters and artisans

Undertaking export by those who have no experience of export business and use of expertise and the tools and accessories would require training to do so.

Arrangement should be made to train the potential exporters on the procedures of export as well as on the importing countries' regulations.

Artisans should be provided training by bringing in the experts from the countries which have been producing jewellery for export or by sending a selected few of the artisans to these countries to acquire the knowledge required in the production and use of tools and accessories.

4.2.8 Financing of export

Since financial outlays play a prominent role in determining the volume of export business its subsequent promotion and development arrangement for financing the potential exporter at the initial stage would be very much required. The provision for liberal bank loans at this stage is hard to come by. Further, the potential exporter will be required to buy the gold from the Bangladesh Bank at the current international price which would involve a sum of money which many would not be able to pay and some may not like to block till the day he could export his products.

Under the above circumstances Bangladesh Bank may consider supplying the gold from its stock (which it has accumulated through confiscation of illegally smuggled gold and which according to the sponsors of the export programme would constitute the initial supply of gold for the jewellers if they opt to buy) and recover the price from export realization. Instead of receiving advance gold bar supply from the importers as has been provided under the gold jewellery scheme and which could be difficult till a level of reliability and credibility among the importers and exporters are established this would ease the financial burden of potential exporters.

4.2.9 Assistance needed by potential exporters

Since export of items like gold jewellery is a function of the government policy the assistance needed by the potential exporters can only be provided to a large extent through the formulation of policies guiding and controlling the supply of raw materials, machinery equipment, tools and accessories and above all through the formulation of an import and export policy acceptable to the potential exporter.

Towards this end it has been observed that the export policies of the neighbouring country have been criticised by the users to have created difficulties in the processing of exports through duplication of efforts, delays and involvement of too many controls which ultimately lead to increase in input costs and make exports unprofitable. While the complications may also arise when the Jewellery Export Scheme of Bangladesh Bank comes into operation, these will have to wait till then.

The only assistance which MIDAS could offer to the development of potential exporter is to provide assistance for acquiring necessary tools, accessories etc. after a particular jewellery business has been selected as exporter. Because MIDAS would not have anything to do with the selection of potential exporters. A profile of a potential recipient of assistance can also be prepared after an assessment of tools and accessories required in the production of exportable jewellery has been undertaken.

Further, it is assumed that the financial requirement of the potential exporters would be to the tune of such amounts which may not be acceptable as investment on the part of MIDAS. Regarding the requirement of finance for tools and accessories the potential exporter may be able to undertake those by themselves unless the exporter desires to mechanize his production process to an extent where he might be forced to borrow.

Another option is finance the changeover of the imitation jewellery plant now being financed by MIDAS which if with the introduction and stabilization of gold jewellery export at any time desires to enter into the gold jewellery export stream. This could mean investment of moderate commitment and involvement provided the project gets selected by the Jewellery Export Scheme Appraisal Committee.

APPENDIX - ICONSUMER PREFERENCES*

The Arabs and Indian customers prefer jewellery in either 21 or 22 carats. Traditional designs such as bangles and bracelets are much favoured by Asian women, while Kubai and Satami styles of wrist and neck wear are popular amongst Arab women. The biggest sales are made to local Arabs.

Italian jewellery made in 18 carat gold finds favour with European expatriates and with the Arabs if diamond and others gems are used in intricate design patterns.

The jewellery pieces from Arabia and the Gulf are usually large and striking and make a splendid display when many items are worn together. This is a style favoured by Arab women, who wear three or four pieces of ear rings, together with necklaces, several pairs of bracelets, anklets, rings on every finger and nose rings.

Necklaces can be found in various shapes and sizes. One of the most common designs features a large circular medallion on a necklace of gold beads, strung at intervals with Maria Thereson dollars. The Medallion would have engraved design or a Koranic inscription and the beads would be decorated with filigree work or with tiny gold balls.

Another common type of necklace is a chain supporting a hirz; a square, rectangular or cylindrical box which may contain a Koranic text. The chain is sometimes hung with small boxes or little gold figures. This type of necklace owes its origin to pre-Islamic times, when women wore amulets to ward off the evil eye during pregnancy or to give help during child birth.

A bright colour is more favoured for rings - many of which have some kind of red stones, garnets or cornelians or simply pieces of red glass. Red, which was the prerogative of important personages, still suggests luxury and power. Rings are worn singly, one on each finger, and on thumbs. Occasionally all rings are attached by chains to a bracelets.

The bracelets worn in Arabic hands over a wide base, with the space filled by row of domes and spikes of gold. Another popular type is a hollow decorated circle containing stones. Worn above the elbow, this indicates that a girl is engaged to be married. Both bracelets and anklets are always worn in pairs and are elaborately worked with geometric and floral designs.

Ear rings are worn on their own and also as part of an elaborate head dress. A band formed of chain or gold beads may be put over the top of the head to take the weight of very heavy ear rings. From this band another piece may hang on the forehead, with yet another running from the top of the head to the nape of the neck.

*Report of the Jewellery Study Mission to the United Arab Emirates and Kingdom of Saudi Arabia, July 8-22, 1985, PP 6-8.

INDIA'S EXPORT OF GEMS
AND JEWELLERY
1975 -1984*

(Value Rs. in Lacs)

Years	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Items											
1. Diamond	6013	8468	7505	9908	21184	51668	69294	55014	59065	72776	1
2-3**	...	...	...	...	...	...	...	...	...	...	...
4. Gold Jewellery	34	43	77	90	237	672	540	1693	1461	4515	8338
6-7***	...	...	...	...	...	...	...	...	...	...	...
Total Exports	6047	8511	7582	9998	21421	52340	69834	56707	60526	77291	
<p>* Export Promotion Council, "The Gem and Jewellery", an special supplement, May, 1984, Bombay, India.</p> <p>** 2-3 includes sales value of precious and semi-precious stones and pearls exported over this period.</p> <p>*** 5-7 includes sales value of non-gold jewellery, synthetic stones, and imitation jewelleries.</p>											

APPENDIX-IIIEXCHANGE CONTROL DEPARTMENT
BANGLADESH BANK
HEAD OFFICE
DHAKA

F.E. CIRCULAR NO. 19

DATED: THE 27TH MARCH, '86

ALL AUTHORISED DEALERS IN FOREIGN
EXCHANGE IN BANGLADESH.

Dear Sir,

JEWELLERY EXPORT SCHEME

.

4. Supply of Gold: An authorised exporter shall have option to procure gold and precious and semi-precious stones to carry out manufacturing operations for export of jewellery under any of the following two procedures:

A. Gold Replenishment Procedure: The mode of procurement of gold and stones under this procedure shall be as follows:

- i) An authorised importer shall initially use the gold and the stones from his own stock or the initial requirement of gold for manufacturing jewellery may also be provided by the Bangladesh Bank at the international market price prevailing on the day of delivery against undertaking Bank gurantee for export.
- ii) Subsequent requirement of gold stones and other materials shall be imported through Sonali Bank against Special Import Authorization (SIA) to be issued against export of jewellery under this scheme to the extent of 75% of the F.O.B. value of the jewelleryes exported.

.
 The quantity (of gold) of which shall not be less than 700 grams or 50 totals.

.
 Sonali Bank shall be entitled to ask for deposit of reasonable margin and to realise from the concerned importer the actual charges incurred by it in arranging the importation, storage and delivery.

B. Advance gold/material supply procedure: The mode of procurement of gold and stones under this procedure shall be as follows:

- i) The authorised exporter may enter into a contract with a foreign buyer for manufacture of jewellery against advance supply of gold and stones free of cost by the buyer. The contract should stipulate among others, the period for supply of gold, the period allowed for execution for the order and amount/rate of making charges of the jewellery which shall not be less than 25% of the value of jewellery exported.

. |
General

For examination of purity of gold both at import and export point, 4 sets of machines shall be imported- one each by Sonali Bank, Bangladesh Bank, NBR and Jewellery Association so that proper checking can be made by them.

APPENDIX-IV

EXPORT OF GOLD JEWELLERY AND STONES
FROM INDIA DURING
1974-1984

(Value Rs. in Lacs)

Items	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Gold Jewellery	77	90	237	672	540	1693	1461	4515	5769	8338
Precious/Semi-Precious Stones	1877	1878	2039	2529	2406	2719	2813	3642	4828	4097
Pearls	92	353	987	290	198	364	448	635	474	711
Synthetic Stone	16	156	34	93	33	26	17	31	37	56
Total	2,062	2,476	3,297	3,584	3,177	5,002	4,739	8,823	11,108	13,202

SOURCE : Indian Gem & Jewellery Export Council Bulletin, 1984, p.22

APPENDIX-V

COUNTRIES EXPORTING
JEWELLERIES (GOLD AND SILVER)
TO THE MIDDLE EAST

Exporting Countries	Importing Countries				
	Abu Dhabi	Dubai	Kuwait	Qatar	KSA
United Kingdom	+	+	+	+	+
USA	+	+	+	+	+
UAE	-	-	-	+	+
West Germany	+	+	+	+	+
Kuwait	+	+	-	-	+
Lebanon	+	-	-	+	+
Hongkong	+	+	+	+	-
Italy	+	+	+	+	+
Japan	+	-	+	+	+
Singapore	-	+	-	-	-
France	+	-	+	+	+
Switzerland	+	+	+	+	+
India	+	+	+	+	-
Taiwan	-	+	+	+	-
Pakistan	-	-	-	-	-
Bahrain	+	-	+	+	+
Spain	+	+	+	+	-
China	-	+	+	-	-
Egypt	-	-	-	-	+
Belgium	-	-	-	+	+
Iran	-	-	+	-	-
Syria	-	-	+	-	-
Thailand	+	-	-	-	-
Russia	-	-	+	-	-

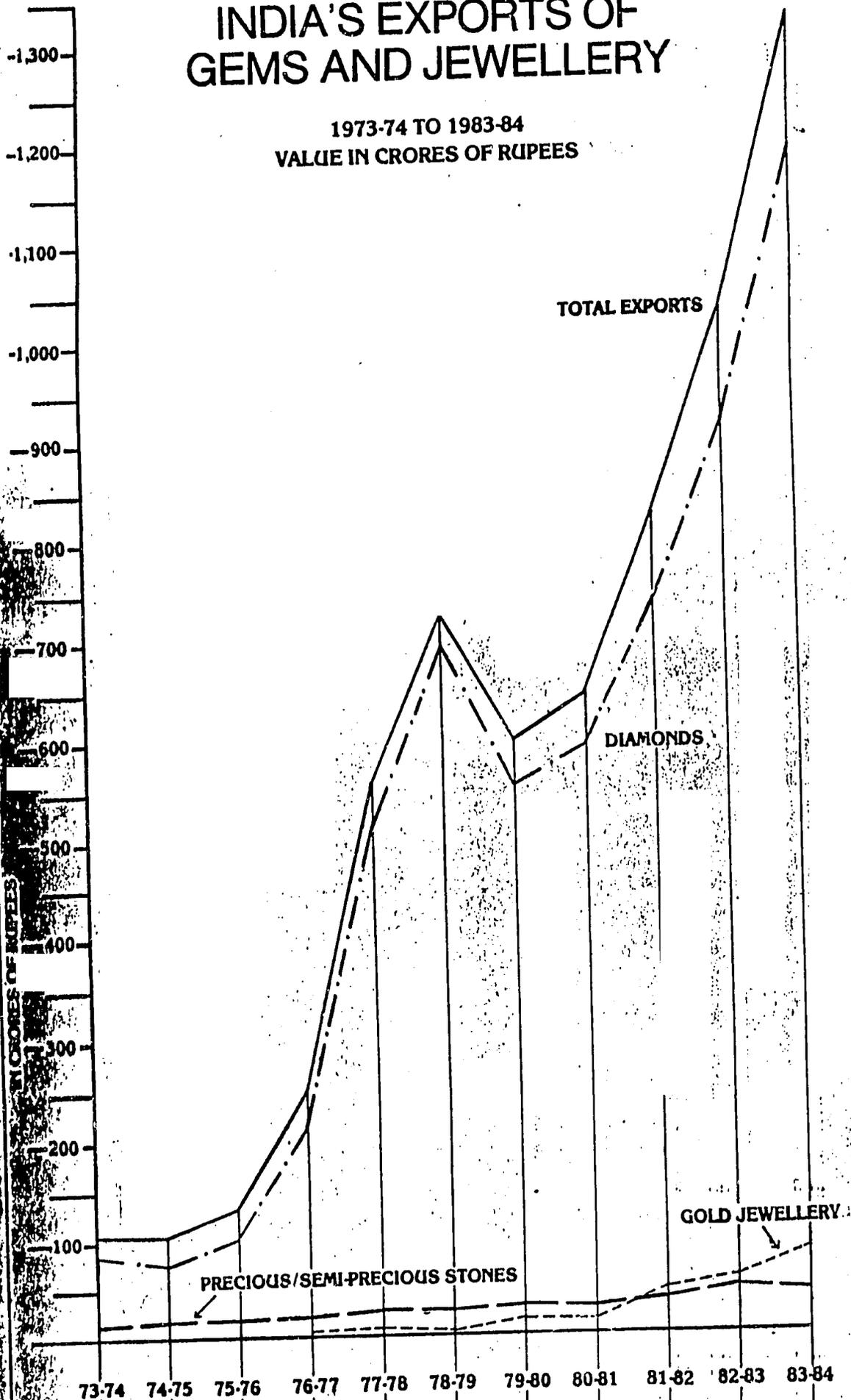
(+) Export

(-) Non-export

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INDIA'S EXPORTS OF GEMS AND JEWELLERY

1973-74 TO 1983-84
VALUE IN CRORES OF RUPEES



PERSONS CONTACTED

1. Mr. R.A. Majumder
Vice Chairman, EPB
2. Mr. Habibur Rahman
Director General, EPB
3. Mr. Mahmudul Islam
Director, Information, EPB (Convenor, Appraisal Committee)
4. Mr. Mozharul Hoque
Director, Research, EPB
5. Mr. Manzul Islam
Deputy Director, Fair Division, EPB
6. Mr. S.M. Khaled
Assistant Director, EPB
7. Dr. Shamim Jahangir, BCSIR
Member, Appraisal Committee
8. Dr. Ehsanul Hoque, BUET
Member, Appraisal Committee
9. Mr. Moinuddin Mazumder
SPO, Sonali Bank (Member, Appraisal Committee)
10. Mr. Bozlur Rahman
AGM, Sonali Bank (Member, Appraisal Committee)
11. Mr. Nizamuddin
Controller of Foreign Exchange, Bangladesh Bank
12. Secretary, Bangladesh Jewellers Association
13. Secretary, Bangladesh Jewellery Artisans
14. Secretary, Bullion Samity
15. President, Federation of Chamber of Commerce
and Industry, Bangladesh
16. President, Dhaka Chamber of Commerce & Industry
17. Mr. A. Bhattacharjee
Second Secretary, Commercial, Indian High Commission, Dhaka
18. Mr. A.K. Chandra
Managing Director
P.C. Chandra & Sons (India) Pvt. Ltd., Calcutta, India
19. Mr. Fazlul Karim
Assistant Professor, Institute of Business Administration
Dhaka University (consultant to design,organise and
overall supervision of the study).

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