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## **An Analysis of Funding Sources and Utilization in Selected Gems and Jewellery Companies**

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### **ABSTRACT**

As a crucial sector of the Indian economy, the gems and jewellery industry plays a vital role in the nation's economic landscape. This research paper analyzes the sources and applications of funds in selected gems and jewellery companies. The researcher employed secondary data collection methods and utilized trend analysis as an accounting tool and analysis of variance (ANOVA) as a statistical tool for data analysis.

The findings reveal that certain sources of funds, such as equity share capital, and reserves and surplus, exhibit significant differences between the companies. In contrast, total debt shows no significant differences among the companies. Regarding the application of funds, the study found no significant differences between the companies. These insights provide a nuanced understanding of the financial dynamics within the gems and jewellery sector, highlighting areas of both variability and consistency in fund management practices.

**Key words:** Sources of fund, Application of fund and Gems and Jewellery

### **1. INTRODUCTION**

Ornaments have been a part of civilization in India since ages. Jewellery has been an integral part of the Indian culture as they were in demand and in fashion since ancient civilization of Harappa and Mohenjo-Daro. Masses in India have great fascination for gems and jewellery to the extent that it plays a significant role in the Indian economy. The industry is much fascinating being traditionally glamorous and artistically modern.



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As an important sector of Indian economy, Gems and Jewellery is a leading foreign exchange earner for the country. Export of gems and jewellery has been among the fastest growing sectors in India in recent years. It has gained global popularity because of its talented craftsmen, its superior practices in cutting and polishing fine diamonds and its cost efficiencies. The gems and jewellery sector occupies a prominent place in the Indian economy in terms of export earnings, employment generation, and growth.

Gems and Jewellery sector employs over 2.5 million workers and contributes to 6% - 7% of Gross Domestic Product of the country. Moreover, India exports 95% of the world's diamonds, as per statistics from the Gems and Jewellery Export Promotion Council (GJEPC).

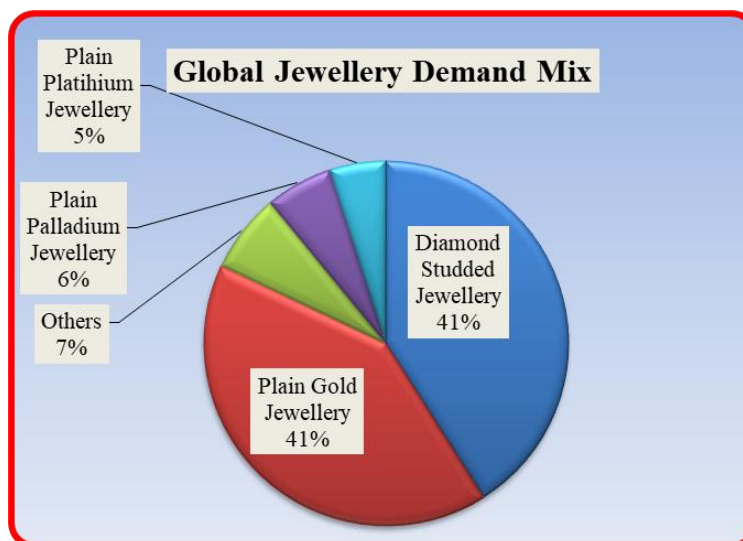
We all know that every business requires some amount of money to start and run the business. Whether it is a small business or large, manufacturing or trading or transportation business, money is an essential requirement for every activity. Thus, it involves sources and application of funds so that business firms will be able to carry out their operations effectively and efficiently. The Source and Application of Funds shows the total sources of new funds raised between Balance Sheet dates and the total uses of those funds in the same period.

## **2. GLOBAL GEMS AND JEWELLERY SECTOR OVERVIEW**

The gems & jewellery market comprises the following segments:

- Diamond studded jewellery,
- Gold jewellery
- Silver jewellery and
- Precious and semi-precious gemstones and its jewellery

**Figure 1: Global Jewellery Demand Mix**



(Source: *Industry estimates and CARE Ratings*)

India is relatively smaller market for diamond studded jewellery with only ~7% market share. However it is a key market for gold jewellery and constitutes ~27% of the global gold jewellery market. While gold jewellery demand (in volume terms) from India saw an improvement by ~5% y-o-y in 2015, the same exhibited a decline by ~24% y-o-y in 2016.

#### **INDIAN GEMS & JEWELLERY SECTOR OVERVIEW:**

The Gems and Jewellery sector plays an important role in the Indian economy, contributing around 7 per cent of the country's GDP and 15 per cent to India's total merchandise exports. It also employs over 4.64 million workers and is expected to employ 8.23 million by 2022. Gems and Jewellery sector is one of the fastest growing sector. It is extremely export oriented and labour intensive. Moreover, India's Gems and Jewellery sector has been contributing in a big way to the country's foreign exchange earnings (FEEs). India exports 75 per cent of the world's polished diamonds, as per statistics from the Gems and Jewellery Export promotion Council (GJEPC). The government of India presently allows 100 per cent Foreign Direct Investment (FDI) in the sector through the automatic route.

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(DIPP), the cumulative FDI inflows in the diamond and gold jewellery sector in the period between April 2000 and September 2016 was USD 851.34 million.

#### **OUTLOOK FOR THE INDUSTRY:**

- In the coming years, the growth of the sector would be contributed by the development of large retailers/brands. Established brands are guiding the organized market and are opening opportunities to grow. organized players provides variety in terms of products and designs by using penetration.
- Online sales are expected to account for 1-2 per cent of the fine jewellery segment by 2021-22. Also, the relaxation of restrictions of gold import is likely to provide a fillip to the industry.
- The industry currently employs around 4.5 million skilled and semi-skilled workers across India and is expected to provide employment opportunities to more than 8.23 million persons by 2022.
- Mr. Narendra Modi, Prime Minister of India, encouraged the diamond Industry in Surat, Gujrat to come forward in making India number one in the Gems and Jewellery Sector, by focusing on design in India in addition to the Make In India campaign.

#### **SOURCE & APPLICATION OF FUNDS: WHAT IT TELLS YOU?**

The Source and Application of Funds tells exactly where the company got their money from and how it was spent. It tells whether management has made sound investment decisions.

#### **SOURCE & APPLICATION OF FUNDS: WHO USES IT?**

The information of the Source and Applications of Funds is useful to: Users within the business (internal) are Directors of Companies, Members of Closed Corporations, Partners of Partnerships and Owners/Sole Proprietors etc. and Users outside the business (external) are Shareholders, Banks, Receiver of Revenue, Financial Institutions, and Potential Shareholders etc. They use the information of Source and Applications of Funds to pick up healthy or unhealthy trends regarding the company's trading activities.



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### **3. OBJECTIVES**

- To review and compare sources of funds of selected gems and jewellery companies.
- To review and compare applications of funds of selected gems and jewellery companies.
- To evaluate the financial position of selected gems and jewellery companies on the basis of sources of funds and applications of funds.

### **4. RESEARCH METHODOLOGY**

#### **UNIVERSE OF THE STUDY**

The universe of the study consists of all the gems and jewellery companies working in India.

#### **POPULATION OF THE STUDY**

The population of the study consists of all the gems and jewellery companies which are registered under national stock exchange (NSE). There are total 25 companies which are registered under national stock exchange (NSE).

#### **SAMPLE AND SAMPLING**

Out of these 25 companies, the top five companies have been selected by researcher on the basis of their market capitalisation.

Sample Companies from Indian Gems and Jewellery Industry (31st March, 2017)

1.PC Jeweller 2.Vaibhav Global 3.Asian Star 4.Thangamayil Jewellery and 5.Gitanjali Gems

#### **PERIOD OF THE STUDY**

The study of Sources and Application of Funds of Indian Gems and Jewellery Industry is made for the period of five (5) years from accounting year 2012-13 to 2016-17.



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## 5. DATA COLLECTION AND ANALYSIS

For the purpose of analysis of Sources of funds and Application of funds of Indian Gems and Jewellery Industry, the secondary data has been used. For the present study, data have been collected from Various publications of Gems and Jewellery companies and their Official websites. Other publications have also been used such as, Economics Times, CARE Ratings, Financial Express, and Other Journals. Some of the data also collected from various websites like [www.moneycontrol.com](http://www.moneycontrol.com), [www.ibef.org](http://www.ibef.org), [www.indianmirror.com](http://www.indianmirror.com), etc. and other online resources.

## 6. HYPOTHESES FOR THE STUDY

### Null Hypothesis

Ho: The variance arise in the several sources (Equity share capital, Reserve, Secured loan etc.) and application of funds(Gross block, Investment, Inventories etc.) among the various companies does not differ significantly.

### Alternative Hypothesis

H1: The variance arise in the several sources(Equity share capital, Reserve, Secured loan etc.) and application of funds among the various companies differs significantly.

## TOOLS AND TECHNIQUES FOR HYPOTHESES TESTING

For testing of hypothesis researcher has used accounting tools like, trend analysis as well as statistical tools like, Analysis of Variance, Arithmetic Mean.

## 7. LIMITATIONS OF THE STUDY

- The data for this research is based on secondary data. The error and inconsistencies of such Secondary data apply to this study.
- This study is only limited to five Gems and Jewellery Companies working in India. Its conditions cannot be applied to the whole Gems and Jewellery industry at national level.
- This study covers only five years of study periods.



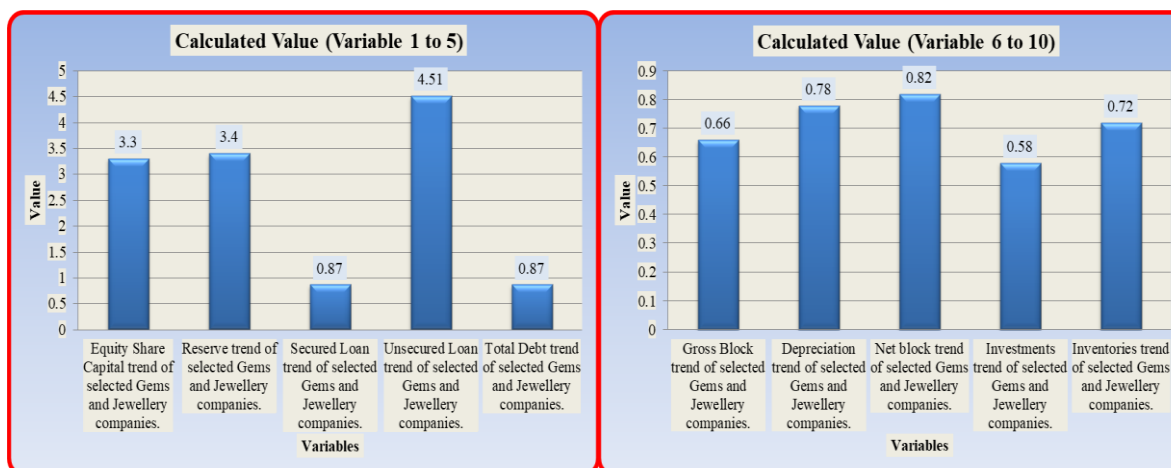
## 8. FINDINGS FOR THE STUDY

On the basis of after applying the statistical test i.e. ANOVA, researcher has found out following findings:

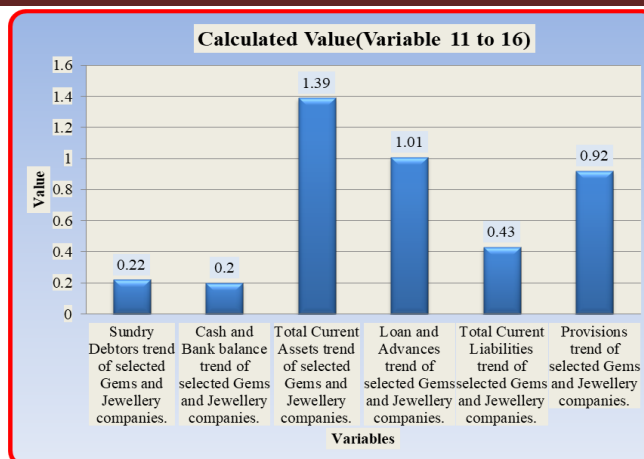
No.	Variables	Calculated Value	Table Value	Accepted/Rejected
1	Equity Share Capital trend of selected Gems and Jewellery companies.	3.3	2.86	H0 is Rejected
2	Reserve trend of selected Gems and Jewellery companies.	3.4	2.86	H0 is Rejected
3	Secured Loan trend of selected Gems and Jewellery companies.	0.87	2.86	H0 is Accepted
4	Unsecured Loan trend of selected Gems and Jewellery companies.	4.51	2.86	H0 is Rejected
5	Total Debt trend of selected Gems and Jewellery companies.	0.87	2.86	H0 is Accepted
6	Gross Block trend of selected Gems and Jewellery companies.	0.66	2.86	H0 is Accepted
7	Depreciation trend of selected Gems and Jewellery companies.	0.78	2.86	H0 is Accepted
8	Net block trend of selected Gems and Jewellery companies.	0.82	2.86	H0 is Accepted
9	Investments trend of selected Gems and Jewellery companies.	0.58	3.23	H0 is Accepted
10	Inventories trend of selected Gems and Jewellery companies.	0.72	2.86	H0 is Accepted
11	Sundry Debtors trend of selected Gems and Jewellery companies.	0.22	2.86	H0 is Accepted

12	Cash and Bank balance trend of selected Gems and Jewellery companies.	0.2	2.86	H0 is Accepted
13	Total Current Assets trend of selected Gems and Jewellery companies.	1.39	2.86	H0 is Accepted
14	Loan and Advances trend of selected Gems and Jewellery companies.	1.01	2.86	H0 is Accepted
15	Total Current Liabilities trend of selected Gems and Jewellery companies.	0.43	2.86	H0 is Accepted
16	Provisions trend of selected Gems and Jewellery companies.	0.92	2.86	H0 is Accepted

**Figure 1: Calculated Value (Variable 1 to 16)**







## 9. CONCLUSION FOR THE STUDY

The Indian gems and jewellery industry holds a significant position in the Indian economy, primarily due to its substantial export potential. The industry is experiencing rapid changes driven by shifts towards customized product development, the adoption of innovative design techniques, and the establishment of brands known for their quality products. This transformation reflects the industry's adaptation to evolving market demands and consumer preferences.

Upon completing this research project, the researcher found that, historically, the gems and jewellery sector has been highly unorganized. However, there is a noticeable trend towards increasing organization within the industry. This shift is attributed to the adoption of standardized practices, improved regulatory frameworks, and a growing emphasis on branding and quality assurance.

The study also aimed to understand the various sources of funds utilized by selected gems and jewellery companies. By employing secondary data collection methods, the researcher analyzed financial statements and other relevant documents. The analysis revealed a mix of funding sources, including equity share capital, reserves and surpluses, and total debt. The researcher applied trend analysis and analysis of variance (ANOVA) to assess the significance of these funding sources across different companies.



The findings indicate that equity share capital and reserves and surpluses show significant differences among the companies, suggesting varied reliance on these sources. In contrast, total debt did not show significant differences, indicating a more uniform approach to debt financing across the companies. Furthermore, the application of funds did not exhibit significant differences, suggesting similar investment and expenditure patterns within the industry.

This research provides valuable insights into the financial dynamics of the Indian gems and jewellery sector, highlighting the ongoing transition towards greater organization and the diverse funding strategies employed by companies. These insights are crucial for stakeholders aiming to navigate and capitalize on the evolving landscape of this key economic sector.

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