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## “A STUDY OF SOURCES AND APPLICATIONS OF FUNDS OF SELECTED GEMS AND JEWELLERY COMPANIES”

Hetal Chaniyara

Research scholar,

Department of commerce, Saurashtra University, Rajkot

### ABSTRACT:

As an important sector of Indian economy, gems and jewellery sector plays vital role in Indian economy. In this research paper researcher analysed a study of sources and applications of funds of selected gems and jewellery companies. For this study researcher uses secondary data method as collection of data. For the analysis of data researcher has use trend analysis as accounting tool and analysis of variance (ANOVA) as statistical tool. After applying this tool researcher found that some sources of fund have significant difference i.e. equity share capital, reserve and surplus and some sources of fund have no significant difference i.e. total debt between the companies. On the other side researcher found that there is no significant difference in application of fund between the companies.

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

### 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.

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).

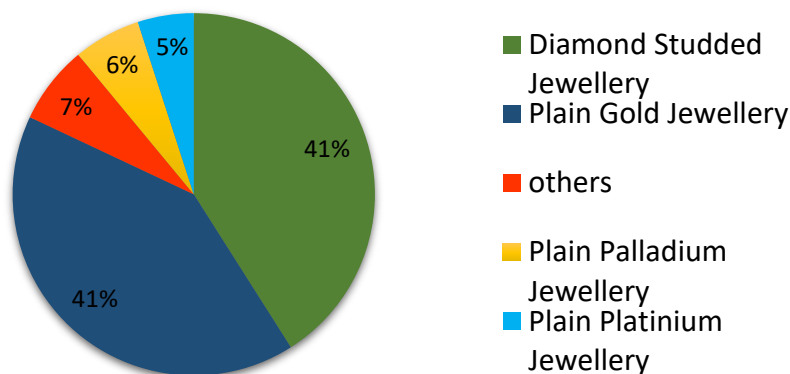
We all know that every business requires some amount of money to start and run the business. Whether it is a small business or large, manufacturing or trading or transportation business, money is an essential requirement for every activity. Thus, it involves sources and application of funds so that business 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.

## 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

### 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.

The Indian government presently allows 100% Foreign Direct Investment (FDI) in the sector through the automatic route. As per Department of Industrial Policy and Promotion (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.

## RESEARCH METHODOLOGY

### 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.

### 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.

### 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.

### 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.

### 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.

### 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.  | 3.30             | 2.86        | H0 is Rejected    |
| 2.  | Reserve trend of selected Gems and Jewellery companies.               | 3.40             | 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. | 0.20             | 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 |

### CONCLUSION FOR THE STUDY

The Indian gems and jewellery industry has an important position in the Indian economy due to its large scale export potential. In the gems and jewellery industry in India, Researcher has observed that the gems and jewellery industry is changing very fast due to the industry is moving towards customized product development, newer designs through designing techniques, and establishing brands with assurance of quality products. After the completion of project work researcher has found that an industry that is highly unorganised, but gradually becoming organised. And last researcher has also tried to understand the various sources of funds which are used by selected gems and jewellery companies.

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