

Sources for use with Section A

Extract A

Problems for India's labour-intensive industries

Labour-intensive industries, such as jewellery, textiles and leather goods are declining in India.

In July 2017 the goods and services taxation (GST) was introduced in India. Businesses are able to claim a refund from the government on the GST they pay to suppliers but many labour-intensive industries are small-sized businesses that find the new procedure difficult. The refund claim must be made online but IT is not accessible to some small businesses. In addition, there are reports of a long period between businesses paying GST to suppliers and then receiving the refund. Capital-intensive industries, such as chemicals, transport equipment and electronic goods, have not experienced the same problems.

India's labour-intensive industries have seen a fall in exports. In the textiles industry for example, there has been an increase in competition from neighbouring countries such as Bangladesh and Vietnam. Not only have exports of Indian textiles fallen but imports have increased.

Jewellery exports are expected to fall by 5–6% (in value terms) in 2019 and sales volume to fall by around 16%. This is in spite of the reputation of small Indian jewellers for producing individually designed jewellery to customer requirements and offering a highly personal service.

Closure of jewellery businesses *Gitanjali Gems Ltd* and *Firestar Diamonds* has led to around 3,000 permanent employees losing their jobs. While these numbers may be small, the overall decline in labour-intensive industries is likely to bring a further increase in unemployment.