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**Discrepancy between country's resource capacity and level of fabrication: Prospects for Sri Lankan gem and jewellery industry**

K.K.G.I.C. Samarasekara

*Department of Integrated Design, Faculty of Architecture, University of Moratuwa*

The export sector of the gem and jewellery industry in Sri Lanka plays a vital role, contributing immensely to foreign exchange earnings of the country's economy. The industrial value chain begins with gem mining and ends with retailing of jewellery. Every step involves trading, resulting in bulks of semi-finished products being exported. There is a loss of premium due to incomplete value addition. Statistical data illustrates a clear disparity in terms of revenue generated through gem exports as opposed to jewellery exports. Thus, the discrepancy between the country's resource capacity and its level of fabrication has inspired this research. The main objective of this study is to explore the key factors, which cause the low competency in value addition in the gem and jewellery industry in Sri Lanka. The required data was collected through an extensive literature survey and several face-to-face, in-depth interviews with experts in the gem and jewellery industry. A purposive sample was selected from the export gem and jewellery segment. The results of the data analysis concluded that there are six major constraints affecting the low production and exporting of gem set jewellery in Sri Lanka, namely, lack of innovation, lack of technology, lack of market, lack of competent manpower, lack of financial resources and lack of integration and long term plans. Addressing these needy matters will lead to novel prospects for the gem and jewellery industry in Sri Lanka.

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inokasamarasekara@gmail.com

Tel: +94 777747249