



Performance of Madras Export Processing Zones (Mepzs)

KEYWORDS

SEZs, Export, Scheme, Performance, Investment , equity.

Dr.SP.MATHIRAJ

Associate Professor, Department of corporate secretaryship, School of management, Alagappa University, Karaikudi.4

R.SarojaDevi

Ph.D Full- Time Research Scholar, Department of International Business and Commerce School of Management Alagappa University, Karaikudi.4 Tamilnadu

ABSTRACT *The SEZs rules, inter-alia, provide for drastic simplification of procedures and for single window clearance on matter relating to central as well as state governments. SEZs are considered as growth drivers of our fast growing economy. The basic objectives of SEZs is to generate additional economic activities, promote investment from domestic and foreign sources and improve the competitiveness of export and import during the 2010-2011 and to 2014-2015 EOUs calculate for export import two years in performance of madras export processing zones (MEPZS) Heavy investments are expected are expected in sectors like it, pharmacy, bio-technology, textiles, petro- chemicals, auto- components etc. The SEZs provides the simplification of procedures for development, operation, and maintenance of the special economic zone and for setting up and conducting business in SEZs.*

- » Kandla special economic zone, Gujarat- Multi Product
- » SEEPZ special economic zone, Mumbai, Maharashtra- Gems & Jewellery and Electronics.
- » Noida special economic zone, Uttarpradesh- Multi Product.
- » MEPZ special economic zone, Chennai, TAMILNADU- Multi Product.
- » Cochin special economic zone, Cochin, Kerala- Multi Product.
- » Falta special economic zone, Falta, Westpental- Multi Product.
- » Visakhapatnam special economic zone, Andhra Pradesh- Multi Product.
- » Surat special economic zone, surat, Gujarat- Multi Product.

The current paper explores the role of EOU units in SEZ, with special reference to Madras export processing zones (MEPZS), Chennai. It also further discusses fiscal issues and investment, export and import performance of SEZ and EOUs units.

INTRODUCTION

A special economic zone was established in 1937 in New York, the United States of America. The other name of SEZs is foreign trade zone (FTZ). In 1942, the USA invested established the SEZ in Puerto Rico, since then, other countries have also established SEZ but might be in a different name. Iceland and Taiwan established SEZ in 1960. India established SEZ namely "export processing zone" in 1980. One of the most well known SEZ is Shenzhen special economic zone which established in 1980. Until now, the special economic zone has been located in more than 135 countries around the world.

Defined the SEZ as the area with area with a special privilege that established by any countries in order to attract the foreign business persons in investing in the country. The privilege might include a special investment policy or rule and regulation and special support infrastructure e.g., a tax easing, a financial support assistance of work permit for foreign workers. The SEZ, including agriculture, commerce, industry, tourism, services or any other operation supporting a free trade area.

SEZ PROFILE IN INDIA:

India is one of the first countries in Asia to recognize the effectiveness of the export processing zone model promoting exports. Asia first EPZ was set up in Kandla 1965.

With a view to create an environment for achieving rapid growth in exports, a special economic zone policy was announced in the export and import policy 2000. This policy, one of the main features is that the designated duty free enclave to be treated as foreign territory only for trade operations and duties and tariffs. The government of India in April 2000 announced the introduction of special economic zones policy in the country deemed to be foreign territory for the purpose of trade operations, duties and tariffs. To provide an internationally competitive and hassle free environment for exports, units were allowed to be set up in SEZ for manufacture of goods and rendering services. All the import and export operations of the SEZ units are on self-certification basis. The units in the zone are required to be a net foreign exchange earner but they would not be subjected to any pre-determined value addition or minimum export performance requirements. Sales in the domestic tariff area by SEZ units are subject to payment of full custom duty and as per import policy in force. Further offshore banking units are being allowed to be set up in the SEZs. At present there are eight functional SEZs located at Santa Cruz (Maharashtra), Cochin (Kerala), Kandla and Surat (Gujarat), Chennai (Tamil Nadu), Visakhapatnam (Andhra Pradesh), Falta (West Bengal) and Noida (Uttar Pradesh) in India. Further an SEZ in Indore (Madhya Pradesh) is now ready for operation. In addition 18 approvals have been given for setting up of SEZs at Positra (Gu-

jarat), Navi Mumbai and Kopata (Maharashtra), Nanguneri (Tamil Nadu), Kulpi and Salt Lake (West Bengal), Paradeep and Gopalpur (Orissa), Bhadohi, Kanpur, Moradabad and Greater Noida (UP), Vishakhapatnam and Kakinada (AndhraPradesh), Vallarpadam/Puthuvyppeen (Kerala), Hassan (Karnataka), Jaipur and Jodhpur (Rajasthan) on the basis of proposals received from the state governments. The current paper explores the role of EOU units in SEZ, with special reference to Madras export processing zones (MEPZS), Chennai. It also further discusses fiscal issues and investment, export and import performance of SEZ and EOUs units.

MADRAS EXPORT PROCESSING ZONES (MEPZS)

Madras Export Processing Zone (MEPZ) is a special economic zone in Chennai, India. It is one of the seven export processing zones in the country set up by the central government. It was established in 1984 to promote foreign direct investment, enhance exchange earnings, and create greater employment opportunities in the region. Madras Export Processing Zone (MEPZ) is located on GST Road in Tambaram. It is located 6 km south of Chennai International Airport. MEPZ was started in 1984 as an initiative of the Ministry of Commerce and Industry with an investment of 6716.7 million. On 1 January 2003, the zone was converted into a special economic zone (SEZ) with an added objective of facilitating exports through reduction of transaction costs. To facilitate this, the Ministry of Commerce and Industries introduced special features such as offshore banking units and container freight stations to be set up within the zone, in addition to liberalized customs procedures. In March 2013, an additional exit and entry point for heavy vehicles arriving at and leaving the MEPZ-SEZ was opened.

Spread over an area of 265 acres (109 hectares), MEPZ SEZ is a multi-product zone housing 117 functional units. In addition, another 27 units are under various stages of implementation. The zone employs over 26,000 people. In the manufacturing front, there are 110 SME units in the zone. MEPZ's manufacturing sector employs nearly 20,000 people. IT companies housed in the zone include Cognizant Technology Solutions, Computer Sciences Corporation, CSS, and HTC Global Services among others. About 50 container trucks arrive at and leave the zone every day. The zone has an exclusive 230 KV sub-station, capable of supplying 30 MW. It also has an exclusive telephone exchange with fiber optic connectivity, a post office, video conferencing facility in the administrative building, and a telecommunication tower. The foreign exchange transactions of the zone are facilitated by a branch of Indian Bank located within in the SEZ. The export turnover for the year 2006-2007 was 24,620 million, of which manufacturing sector accounted for 70 percent. Garments, software, and engineering products contributed more than 50 percent of the export value. In recent years, engineering sector has been promoted with special reference to automobile ancillaries. As of 2008, software exports from the zone averaged 300 to 350 million per month

Objectives:

To analyze the manufacturing wise exports for MEPZ sector

To study the Export Import Performance of MEPZS.

RESEARCH METHODOLOGY

Source of Data

The present study relies on secondary data. Secondary data will be derived from books, magazines, journals,

newspapers and the websites.

Review of literature

Subrahmanian and Mohanan,(1978)¹ analyzed the central idea behind the setting up of EPZs in underdeveloped countries to motivate MNCs. In their paper the authors studied the Santa Cruz Electronics Export Processing Zone (SEEPZ) and brought out that operations of the MNCs have not achieved the expected results. First, the overall production and export, as well as the proportion of value added, by units in the SEEPZ have been far below the targets. Second, the proportion of the value added has varied inversely with the degree of foreign control, with Indian owned units using Indian technology performing far better than units controlled by the MNCs. Bhatta (2003) highlighted the importance of SEZs, provided an overview of the rules, regulations and incentives, the possible implications for the environment of the region, and the importance of ensuring transparency in conducting an environmental impact analysis. The study emphasized that maintenance of ecological balance along with industrial development is required.

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A. Aggarwal,(2004)³ analyzed the export performance of Indian EPZs since their inception. The growth rates of aggregate exports, foreign exchange earnings and employment showed a steep jump when new EPZs were created in the early eighties. The share of EPZ export to total export showed a very gradual rising trend during the last twenty years. This is due to the rising trend in electronics exports. However, lack of single window clearance facilities, the attitude of the officials, centralized governance, stringent labour laws and poor physical and financial infrastructure resulted in relatively poor investment climate in the zones.

T. Curtis,S. Hill, & C.Clin al(2006).⁴compared China's experience using SEZs to promote regional export-oriented economic growth with the experience of Post-Soviet Russia, Mexico and the Dominican Republic, and found that SEZs will only succeed in countries with a strong central government, geographic ties and cultural ties to developed markets and competitively low-wage labour.

TABLE.1 SECTORS WISE IMPORT AND EXPORT FROM EXPORT ORIENTED UNITS IN MEPZ

S.NO	EOU SECTORS	Imports From Export Oriented Units				Exports From Export Oriented Units			
		2013-14	% of Total	2014-15	% of Total	2013-14	% of Total	2014-15	% of Total
1	Food agriculture and forest products	1.43	0.01	0.03	0.94	10.15	0.05	1.43	0.02
2	Granites	11.47	0.04	3.83	0.03	0.16	7.77	0.00	0
3	Chemical and allied industry	16.46	0.06	4.76	0.04	28.12	0.14	14.43	0.22
4	Miscellaneous	35.54	0.13	16.27	0.15	55.46	0.27	22.90	0.35
5	Pharmaceutical	100.29	0.37	76.64	0.72	189.55	0.92	105.80	1.61
6	Others	114.72	0.42	1308.98	12.35	1105.40	5.37	630.48	9.58
7	Garments and textiles	279.51	1.04	172.75	1.63	700.33	0.39	321.37	4.88
8	Chemical and plastic and allied industry	27.78	0.10	19.8	0.19	62.90	0.31	34.61	0.53
9	Trading and textiles	372.59	1.38	142.36	1.34	14.97	0.07	11	0.17
10	Trading and service units	498	1.86	313.03	2.96	861.93	4.18	580.53	8.82
11	Leather and sports goods	705.30	2.63	573.76	5.42	23.35	0.01	18.14	0.28
12	Electronics and software	797.93	4.13	394.86	3.73	1206.20	5.86	730.16	11.09
13	Plastic, rubber and synthetics	1106.32	4.13	175.41	1.66	920.56	4.47	151.16	2.29
14	Engineering industry	2280.69	8.51	644.57	6.09	2516.25	12.21	1315.47	19.98
15	Electronics and hardware	19664.08	73.35	6744.62	63.68	12871.43	62.48	2569.48	39.04
TOTAL		26807.38	100	10590.95	100	20599.3	100	6582.70	100

Source: computed

Sector wise EOUs imports performance shows that the (table .1)during the 2013-2014 to 2014-2015electronics and hardware alone contributed 73.35 share to total export oriented units in MEPZ imports this followed by engineering industry 8.51, plastic, rubber and synthetics and electronics and software 4.13 each. And 2013-14 imports same sector increase the import from share total. The shares of export performance shows that the table .1dur-

ing the period 2013-14 electronics and hardware and engineering industry 62.48 & 12.21each same for export from total EOUs exports were very low ranging between Granites (0%), Food agriculture and forest products (0.02), Chemical and allied industry (0.22), Trading and textiles (0.17), leather (0.28) under reference.

TABLE-2 MAJOR COMPANY'S EXPORT AND IMPORT FROM SPECIAL ECONOMIC ZONES IN MEPZ

Company / Years	Exports in SEZS(in crores)					Import in SEZS(in crores)				
	2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15
Hi-Tech Infrastructure Pvt.Ltd (Coimbatore)	688.41	1098.1	1489	1796.46	942.83	63.36	64.85	86.64	74.77	65.19
Electronics Corporation Of Tamil Nada (Kancheepuram)	622.24	1767.52	7446	10075.66	4935.12	26.69	308.33	95.48	165.6	257.32
Mahindra World City (Chennai)	155.49	186.79	179	172.83	90.33	50.08	167.28	63.28	80.54	52.33
SIPCOT Hi-Tech Electronic Hardware	680.29	1292.49	1397	587.52	119.5	4720.19	5436.99	4774	5038.96	2781.58
DLF Info city SEZ(Chennai)	4979.36	3519.56	5606	7021	3775.81	13.6	0	99	123	198.85
L&T Ship Building Limited	0	0	0	270.42	132	4	0	0	0	40.85
SIPCOT Growth Centre SEZ Oragadam	2524.73	2687.51	2670	2567.87	1330.88	4147.9	3549.46	4376	5985.22	3739.71
Tata Consultancy Service SEZ (Chennai)	4145.77	7007	9809	12960	6607	161.45	37.74	41	34	22
ELCOT SEZ Madurai	0	0	0	0	0	0	0	0	0	0
Pearl City Food Part SEZ(Tutucorin)	0	1.72	1	10.81	18	0	0	0	1.15	0.26
Total	13796.29	17560.6	28597	35462.57	17951.47	9187.27	9564.65	9535.4	11503.2	7158.09
MEAN	1379.62	1756.07	2859.70	3546.26	1795.15	1013.77	956.47	953.54	1150.32	715.80
S.D	1846.02	2208.71	3537.69	4752.60	2420.73	1858.26	1918.91	1911.38	2310.29	1362.75
C-V	133.81	125.78	123.70	137.81	134.85	183.3	200.62	200.45	200.83	190.38

Source: computed

Major company's export and import from special economic zones in MEPZ shows that (table-2) during 2010-11 and 2014-2015 in highest export mean value of 2013-2014 (4752.60) and low exports from special economic zone is MEPZ 2010-2011 in very low mean value is 1846.02. Import from MEPZ is low mean value of 2013-14 and highest value of mean MEPZ is 1918.91 during the period under reference.

WISE MANUFACTURING EXPORTS FOR MEPZ SECTAR
TABLE-3

S. No	Year	Manu- facturing Exports	Trad- ing and Services	IT/ITES	Total
1	2010-11	660379	28.47	2201.77	8826.03
2	2011-12	7961.23	158.18	2569.12	10688.53
3	2012-13	7095.73	5.12	2870	9970.85
4	2013-14	3766.07	33.15	3165	6964.22
5	2014-15	1566	18	1554	3138
Total		680768	242.92	12359.89	39587.63
MEAN		136153.6	48.58	2471.98	-
S.D		293062.2	62.21	625.27	-
C.V					

Source: computed

MEPZ SPECIAL ECONOMIC ZONE AND EOU UNITS
TABLE-4

S.NO	CATEGORY OF APPLICATIONS	SEZS	EOU
1	Number of notified SEZS	58	-
2	Number of operational SEZS and EOU	36	460
3	Number of operational unit in SEZS	445	-
4	No. of. Operational units and around Chennai	215	
5	Number of operational units in Coimbatore	30	
6	Number of operational units in rural Tamil Nadu	200	
7	Units under implementation	21	21
8	Not yet taken steps to implement	8	8
9	Units which came in production during the current year	0	0
10	Total Number of approval granted	-	1266
11	Number of approval cancelled/ lapsed	-	395
12	Number of units deboned	-	381
13	Units in production		425
14	Closed/ inactive units		6
TO-TAL		1013	2962

MEPZ SPECIAL ECONOMIC ZONE EMPLOYMENT GENERATION IN SEZ AND EOU Units

TABLE-5

S.NO	CATEGORY	2013-2014	
		SEZs Units	EOU Units
1	Male	20227	20227
2	Female	16769	16769
Total		36996	36996

MEPZ SEZS AND EOUS UNITS IN INVESTMENT

TABLE-6

S.NO	ITEM	FOREIGN EQUITY	DUR- ING NRI EQUITY	INDIAN EQUITY	TOTAL
1	Approval	928704.59	823813.38	569222.25	321740.21
2	Actual Flow	118547.63	795838.45	60818.08	175204.16
3	Approved	34629.56	1948.81	19382.37	55960.74
4	Actual Flow	18898.87	319.90	1225.50	30444.27
Total		100780.65	621920.54	860648.19	583349.38
MEAN		275195.2	405480.1	162662.1	145837.3
S,D		437863.2	467038.4	272185.1	133163.6
C.V		159.11	115.18	167.33	91.30

Source: computed

The (Table -6) shows that it indicates that SEZ and EOUS units in investment in NRI Equity of highest value for Co-Variance of 115.18%, foreign equity investment of Co-Variance 159.11, and Indian equity investment of co-variance 167.33. Thus, these three equity contributed 91.30 per cent of the total SEZS and EOUS units in investments.

CONCLUSION

The SEZ act is expected to give a big thrust to export and import consequently to the foreign direct investment "FDI" inflows into India, and considered to be one of the finest pieces of legislation that may well represent the future of the industrial development strategy in India. The new law is aimed at encouraging public-private partnership to develop world-class infrastructure and attract private investment (domestic and foreign), boosting economic growth, export and imports.

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