



SPECIAL ECONOMIC ZONES IN INDIA: GROWTH OF EXPORTS, INVESTMENT AND EMPLOYMENT

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ABSTRACT The Special Economic Zones (SEZs) can be defined as specially delineated duty free enclaves deemed to be foreign territories for the purpose of trade operations, duties and tariffs. The important objectives of SEZs units are generation of additional economic activities, promotion of investment from domestic and foreign sources, creation of employment opportunities, development of infrastructure facilities, promotion of exports of goods and services, development of backward regions, improving export competitiveness and transfer of skills and technology. Today SEZs are considered as growth drivers in the developing countries like India. This paper aims at evaluating the SEZs on Indian exports, tax concessions, investment and employment of SEZs units in India. The collected data was during the period 2000-01 to 2017-18. The study reveals that the overall exports performance of SEZs is satisfactory. Indian SEZs today plagued with number of problems. The policy makers and government therefore should make sincere efforts to solve their problems.

KEYWORDS : SEZs, EPZs, EXIM Policy.

INTRODUCTION

The Special Economic Zones (SEZs) can be defined as specially delineated duty free enclaves deemed to be foreign territories for the purpose of trade operations, duties and tariffs". India was the first country in Asia which set up an Export Processing Zones (EPZs) in 1965 at Kandla in Gujarat called the Kandla Free Trade Zone. After this six more EPZs were set-up in Maharashtra, West Bengal, TamilNadu, Uttar Pradesh, Kerala and Andhra Pradesh. The Basic objectives of these EPZs were to promote exports and employment opportunities, Special Economic Zones (SEZ's) are the reformed version of EPZs. The Government of India, in its EXIM Policy of 2000, announced a scheme for setting up SEZs. Till February 2006, SEZs were governed by the foreign trade policy incentives. The SEZs Act passed by the parliament in May 2005. This Act came into force in February 2006, providing for single window clearance system. The objective following an SEZ is to enhance foreign investment, increase exports, create jobs and promote regional development. The main objectives of the SEZ are:

- Generation of additional economic activity;
- Promotion of exports of goods and services;
- Promotion of investment from domestic and foreign sources;
- Creation of employment of opportunities;
- Development of infrastructure facilities.

REVIEW OF LITERATURE

Kumar, A., & Kumar, S. (2017). This paper explores the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, in 2000, the Export-Import (EXIM) Policy of India shifted towards a new scheme of Special Economic Zones (SEZs), wherein EPZs were converted into SEZs. Special Economic Zones (SEZs) have been recognized as an important mechanism for trade and investment promotion, creation of infrastructure, employment generation, promotion of regional development, increase in foreign exchange earnings, improving export competitiveness and transfer of skills and technology. The Special Economic Zones Act, 2005, was passed by Parliament in May, 2005. After extensive consultations, the SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February, 2006, providing for drastic simplification of procedures and for single window clearance on matters relating to central as well as State Governments. After the promulgation of the act, SEZs in India witnessed inclined growth in terms of increased SEZ units, and as well as in terms of performance in the field of exports, employment generation and investment but failed to meet the expected growth rate. Through this paper an attempt is made to study the current status and performance of SEZs in India.

Tamali Chakraborty, Haripriya Gundimeda, Vinish Kathuria (2017) The introduction of Special Economic Zones (SEZs) in India

has injected hope for augmented economic growth in recent future. The motive behind establishment of SEZs was mainly to fuel rapid economic growth, provide world class infrastructure and employment, promote exports, increase foreign exchange reserves and attract more Foreign Direct Investment (FDI). The main objective of the paper is to investigate whether the enactment of SEZ policies had any impact on inflow of FDI among Indian states. This is tested using panel data techniques on 16 groups of states over 14 years period from 2001 to 2014. The results indicate that enactment of SEZ policy (as well as operational SEZs) in a state has induced more FDI inflow. Based on the results, it can be concluded that the states, which want to benefit from FDI inflow, they need to enact the policies sooner.

Statement of the Problem

The SEZs scheme was introduced by the Government of India in April 2000 with the objective to create employment opportunities, promote exports of goods and services, and promote investment from domestic and foreign sources, development of infrastructure facilities and generation of additional economic activities. To uplift this scheme and to achieve its target, SEZ Act was passed by the Parliament in May 2005. SEZ Act 2005 came into effect on 10th February 2006, which provides drastic simplification of procedures; single window clearance on matters related to central as well as state government and grants many incentives and facilities to the developers as well as to the units operating in the SEZs. As per the report of the Comptroller and Auditor General of India which was quoted in the Indian parliament in 2008, due to the SEZs scheme, the Government of India had a revenue loss of Rs. 21.46 billion during the year 2006-07 alone. Further, setting up SEZs in residential and agricultural area, displaces the people who live there and these people have found employment opportunity through this SEZs scheme. The economic, labour and other laws are also liberalized in the SEZ business units; hence they don't consider any labour or environmental problem. At the same time, the establishment of SEZs in the country has greatly improved the country's export and employment opportunity. Thus establishment of SEZs has brought both negative and positive impacts in the economy. Under these circumstances, it is important to evaluate the performance of SEZs in India from the beginning to the present and to find out whether the policy has really proved beneficial to the country. Further, it is quite essential to assess the performance of SEZs in attaining the required goals in the economy, and to provide fruitful suggestions to policy makers and other stakeholders in the interest of the country.

OBJECTIVES OF THE STUDY

- The present study is to analyze the current status and performance of SEZs in India in terms of investments, employment and exports.

RESEARCH METHODOLOGY

Research Design: The present study is of analytical and descriptive in nature.

Data Collection: The use of secondary data is made for the study

which was collected from different sources. The relevant secondary data were from various publications such as Reports on Special Economic Zone in India from SEZ India website, Ministry of Commerce and Industries, magazines such as Business India, India Today, Business World, Business and Economic Survey and other websites were also referred to. Data Analysis The collected data is analyzed with the help of various statistical tools like Percentage analysis CAGR and AAGR and is presented in the form of Tables.

SEZS EXPORTS AND INDIA'S TOTAL EXPORTS

The Special economic Zone Act and Rules were notified in February 2006, formal approvals have been granted for setting up of 583 SEZs out of which 380 have been notified. Out of the total employment provided to 815308 persons in SEZs as a whole, incremental employment generated after February 2006 when the SEZ Act came into force was 680609 persons. This is apart from million man-days of employment created by the developer for infrastructure activities. Physical exports from the SEZs have increased from Rs.220711.39 Crore in 2009-10 to Rs. 315867.85 crore in 2009-2010, registering a growth of 43.11% in rupee terms. There has been overall growth of exports of 80% over past eight years (2003 to 2010). I.e. in the first three quarters of the current financial years, has been to the tune of Rs.260972.9 Crore, registering a growth of 14.5% over the exports of corresponding period of the previous year. The exports from SEZs as well as from India increased rapidly during the period 2000 to 2010. However, exports from SEZs increased at higher rate than the total exports from India. The following table shows that the SEZs exports as well as Indian exports from 2000-01 to 2017-18.

TABLE -1 Share of SEZs Export in Indian's Total Exports

Year	India's Exports (Rs. Crores)	Annual Growth Rate (%)	Export From SEZs (Rs. Crores)	Annual Growth Rate (%)
2000-01	203571	-	8552	-
2001-02	209018	2.68 (%)	9190	7.46 (%)
2002-03	255137	22.06 (%)	10053	9.39 (%)
2003-04	293367	14.98 (%)	13854	37.80 (%)
2004-05	375340	27.94 (%)	18309	32.16 (%)
2005-06	456418	21.68 (%)	22840	24.75 (%)
2006-07	571779	25.27 (%)	34615	51.55 (%)
2007-08	655864	14.71 (%)	66338	91.64 (%)
2008-09	840755	28.19 (%)	99689	50.27 (%)
2009-10	845533	0.6 (%)	220711	121.40 (%)
2010-11	1142922	35.2(%)	315868	43.11(%)
2011-12	1468959	28.5(%)	364478	15.39(%)
2012-13	1634318	11.3(%)	476159	31.0(%)
2013-14	1905011	16.6(%)	494077	4.0(%)
2014-15	18,96,445	-0.45(%)	4,63,770	-6.13(%)
2015-16	17,16,378	-9.49%	4,67,337	-0.77%
2016-17	1849429	7.75%	523637	12.05%
2017-18	1258014	7.07%	135248 (as on 30.06.18)	15.39%
AAGR		1.8%		8.9%

Source: DGCIS, Kolkata, Department of Commerce (SEZ Division)

From the above table No-1 shows that the exports in India. The highest growth rate is 35.2% in 2010-2011 followed by 28.19% in 2008-09 and 28.5% in 2011-12. The lowest growth rate is 0.6% in 2009-10 followed by 2.68% in 2001-2002 and 7.07% in 2017-18. The negative growth rate is 2014-2016 years. The highest exports in SEZ Units are 121.40% in 2009-10 followed by 91.64% in 2007-08 and 51.55% in 2006-07. The exports from SEZs as well as from India increased rapidly during the period 2000 to 2010. The reasons for SEZs exports are increased by reducing the tax concessions.

TAX CONCESSIONS IN SEZ UNITS AND SEZ DEVELOPER

The tax concessions in SEZ units producing the countries, the percentage exports are presented in Table -2.

TABLE-2 Tax Concessions Availed By Sezs

Years	Export exemptions (Value Rs. in Crores)	Exemptions to SEZs corporate tax exemptions			Total exemption as a percentage of export
		SEZ Units	SEZ developers	Total Exemptions	
2006-07	2194	553	271	3018	8.72
2007-08	1804	1103	1850	4757	7.14
2008-09	2324	2677	1757	6758	6.78

2009-10	3987	4233	1111	9331	4.23
2010-11	8630	7432	1326	17388	5.50
2011-12	4560	10916	1201	16677	4.57
2012-13	4491	13535	1531	19557	3.95
2013-14	6198	17036	1837	25071	5.07
2014-15	5532	18394	1983	25909	
CAGR	10%	32%	20%	21%	

Source: Ministry of Commerce and Industry, Government of India. *2014-15 figures are estimated figure by the Ministry of Finance, GOI.

From the above table tax concessions of SEZs units and developers of export exemptions in India. The compound annual growth rate for export exemptions in 10% followed by SEZs units tax exemptions from 32%, SEZs Developer exemptions in 20% and total exemptions from 21% of compound annual growth rate.

INVESTMENT LEVEL OF SEZs IN INDIA

The investment level of SEZ units producing the countries, the growth rate and annual average growth rate is presented in Table 3.

Table No-3

INVESTMENT OF SEZs IN INDIA

(Value Rs. in Crores)

S. No	Years	Investment in SEZs	Growth rate (%)
1.	2005-2006	3201.2	-
2.	2006-07	4035.51	26.06
3.	2007-08	56201.23	1292.84
4.	2008-09	856215	1423.48
5.	2009-10	148489	-82.65
6.	2010-11	202810	36.58
7.	2011-12	201875	-0.46
8.	2012-13	238990	18.39
9.	2013-14	236717	-0.95
10.	2014-15	288477	21.86
11.	2015-16	376494	3.51
12.	2016-17	4,06,690	8.02
13.	2017-18(as on 31.03.2018)	4,74,917.372	16.78
CAGR		49.9%	

Source: Department Ministry of Commerce, Government of India (Various Annual Reports)

The table - 3 shows that the Investment level of SEZs Units in our country has grown from 3201.2 crores in the year 2005-2006 to 474917.372 Crores in the year 2017-18. In the period of study during global recession i.e. 2005 and 2018 there was sharp increase the investment level of SEZ units. It is investment of SEZs to other countries so as to satisfy. Further the table shows that the study period is positive and compound growth rate is 49.9%.

EMPLOYMENT OF SEZs UNITS IN INDIA

The employment of SEZ units producing the countries, the increase or decrease and growth rate are presented in Table -4.

TABLE NO-4

EMPLOYMENT OF SEZs UNITS (Persons)

Year	Employment in Persons	Increase/Decrease	Growth Rate (%)
2005-06	965242	-	-
2006-07	134704	-830538	86.04
2007-08	152320	17616	13.08
2008-09	425123	272803	179.098
2009-10	503611	78488	18.46
2010-11	676608	172997	34.35
2011-12	844916	168308	24.87
2012-13	1019146	174230	20.62
2013-14	1074904	55758	5.47
2014-15	1239845	164941	15.35
2015-16	1591381	351536	28.35
2016-17	1688337	96956	6.09
2017-18(as on 31.03.2018)	1977216	288879	17.11

Source: Department of Commerce (SEZ Division)

From the above table for employment of SEZs units and developers in the highest growth rate of 179.08 in 2008-09 followed by 86.04% of 2006-07 and 34.35 % of 2010-11. The lowest growth rate is 6.09 % of 2016-17.

CONCLUSION

The SEZs have high investment and employment potentials. The country has been an important investment destination for the foreign investors apart from the domestic private corporate bodies. India is in the forefront of supply of skilled man power, particularly in the area of software engineering. Due to the world trend of recession in the advanced countries of the west, Indian skilled manpower had more employment opportunities within the country. Hence the schemes like SEZs have great employment potentials for the software engineers and other skilled workers. The Export Performance of SEZs in India reveals that the SEZs are playing an important role in promoting export of our country. There is a rapid increase in SEZs export as compared to India's total exports. When the whole world including India was reeling under the effects of the global recession, growth in SEZs exports was 121.40 percent in 2009-10. The SEZs exports are mostly increased by the 2000 to 2010. The reason for tax concessions is reducing the SEZs units in Government of India. The government, therefore, should create a more encouraging atmosphere and provide sufficient administrative support to the SEZs.

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