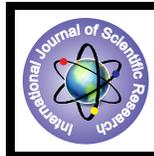


IMPACT OF SEZs IN INDIAN ECONOMY



Management

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Introduction:

For over decades our economy has been used to slow growth. However, the SEZs Act 2005 has paved way for the establishment of SEZs across the country to witness an accelerated growth by means of a rapid industrialization process. As many as 250 proposals for creation of SEZs in 21 states are still languishing for approval from Government, mainly owing to disputes on the compensation package and acquisition of cultivable land in the absence of available relief and rehabilitation package. India was an early starter in the special-economic-zone business. It set up Asia's first export-processing area in 1965 at Kandla, in Gujarat, to provide goods for the then Soviet Union. Special Economic Zone is a specifically delineated duty free enclave and shall be deemed to be foreign territory for the purpose of trade operations and duties and tariffs. Ever Since China set up Asia's first Special Economic Zones (SEZs) In Shenzhen in t 980, other developing countries like India have been attracted to it as a fast track panacea to export-oriented growth.

Conceptual Backdrops of SEZs:

The concept of Special Economic Zones comes from our old perception-Free Trade Zone. The main assumption of SEZs is to encourage the investor by giving some incentives in their products by some special financial assistance from Government and to overall development of the particular zone.

India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world class infra-structure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) policy was announce in April 2000.

Objectives of SEZs:

- Boost up foreign direct investment (FDI),
- Create new jobs.
- Create globally competitive and hassle free environment for exports.
- Develop the infrastructure facilities, and
- Generation of additional economic activity

Positioning towards SEZs in India:

Special Economic Zone policy in India first came into existence on April 1, 2000 to promote exports from the country and realizing the need that the level playing field must be made available to the domestic enterprises and manufactures to be competitive globally. Legislation has been passed permitting SEZs to offer tax breaks to Foreign Investors.

Over half a decades has passed since its inception, but the SEZs bill has certain draw backs due to the omission of key provisions

that would have relaxed rigid labor rules. This has lessened Indians chance of emulating the success of the Chines SEZs model, through Foreign Direct Investments (FDI) in export oriented manufacturing. The policy relating to SEZs, show for contained in the Foreign Trade Policy, was originally implemented through piecemeal and adhoc amendments to different laws, besides executive orders. In order to avoid these pitfalls and to give a long term and stable policy frameworks with minimum regulations, the SEZ Act 2005 was enacted. The Act provides the umbrella legal frameworks, covering all important legal and regulatory aspect of SEZ development as well as for units operating in SEZs.

Growth and Developments of SEZs in India and Abroad:

China-the pioneer country has tasted sweet fruits of SEZ. It has attracted \$30 billion in Shenzen (One of the biggest and flourishing SEZ in China). Another efficient working SEZ was Pudong, near Shanghai, China could attract \$45 billion per in its SEZ. -India's figure is very low at \$2 billion annually.

The growth and development of SEZs may be viewed from different perspective looking from FDI perspective it indicate the investment to the tune of \$3-5 billion has been committed, which accounts for 60-70% of the total FDI flow into India. It is estimated that the Prospective companies would bring \$20-25 billion in the next 3 years.

From employment perspective. It is seen that in the last eleven months the investment is achieved at 11,600 crore in SEZ, which has created 15,000 jobs, and it is anticipated to have 8.9 lakh jobs in the next 3 years. The SEZ will also create 2 to 3 times more jobs out side SEZs, Brandix is going to recruit 60,000 people. It is said in one SEZ, a total of 20,000 jobs will be generated 100 hectares ofland.

Out of 234. approved SEZs, 142 are SEZs particular to IT sector and it will employ a million people, Motorola, Flextronics, Foxconn, Samsung and Dell will provide 1-lakh jobs in 3-4 years. They would require 700 hectares of land on which 1500 farmers are working. The generation of new jobs is huge via working farmers.

SEZs play pivotal in boosting India's exports. The exports of SEZs over a period of time that is from 2010 to2014 and presented on Table It clear from the table that the growth exports of SEZs in terms of percentages to total is impressive.

Table: Share of SEZs Exports in Total Exports

Year	Exports of SEZs (percentage to total)
2010-2011	27.64
2011-2012	24.86
2012-2013	29.12

2013-2014*	27.97
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* April, 2013 to June, 2013 Source: www.sezndia.nic.in

Rules Framed for conduct of business in SEZs

- Simplified procedures for development, operation, and maintenance of the Special Economic Zones and for setting up units and conducting business in SEZs;
- Single window clearance for setting up of an SEZ;
- Single window clearance for setting up a unit in a Special Economic Zone;
- Single Window clearance on matters relating to Central as well as State Governments;
- Simplified compliance procedures and documentation with an emphasis on self certification;

Incentives and facilities offered to the SEZs

The incentives and facilities offered to the units in SEZs for attracting investments into the SEZs, including foreign investment include:

- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units.
- 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% of the ploughed back export profit for next 5 years.
- Exemption for minimum alternate tax under section 115JB of the Income Tax Act.
- External commercial borrowing by SEZ units up to US \$ 500 million in a year without any maturity restriction through recognized banking channels.
- Exemption from Central Sales Tax.
- Exemption from Services Tax.
- Single window clearance for Central and State level approvals.
- Exemption from State sales Tax and other levies as extended by the respective State Governments.

Impact of SEZs and Rural Development

SEZ is one of the innovative approaches to last and sustainable development of the nation. It provides more employment opportunities particularly to the rural people because the SEZs are going to be set up in the rural areas. The rural development is possible only with the help of industrial establishment in rural area and providing more employment opportunities to the rural people.

SEZ needs large size of land, which is available only in the rural area. Hence, the rural people, particularly the agriculturist can sell their un cultivatable lands for the suitable price. And the SEZs sponsor provide employment guarantee to the land providers and local rural people. Once the SEZs has established that places will automatically develop and other related industries also establish their factories in the nearby SEZs. Hence there will possibility of development of that area with all infrastructures facilities. When the specialist SEZs will setup, it will be useful to rural people also, they can supply their local resources to the industries where in the SEZs.

Conclusion:

SEZs, no doubt would act a catalyst in bringing a progressive

change in the economic growth and development of our country, provided it is as per the vision of our Prime Minister, Manmohan Singh, namely "Industrial development must not be a win-win process for all sections of society and we all must strive to make it happen".

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