



“An Empirical Study On Problems Of Sez In India”

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ABSTRACT

A Special Economic Zone (SEZ) is a geographical region where the economic laws are more liberal than the other parts of India. It is a supported tool for businessman to develop and grow their business by getting various benefits provided by Government.

Now-a-days, in the world around 3,000 SEZs are there in more than 120 countries, which account for over US\$ 600 billion in exports and about 50 million jobs. It has been recognized as an important mechanism for creation of infrastructure, employment generation, promotion of regional development, increase in foreign exchange earnings, improving export competitiveness and transfer of skills and technology. In India, the SEZ Act was implemented in 2005 and which attracts the investors to invest there to get benefits of globalization. At that time the concept is criticized by so many people but it has implemented and benefited to all. The first phase the researcher provided information of the concept of SEZs in India. In the second phase, the researcher has tried to explain problems concerning the SEZs and in the last phase, the researcher put focus on the prospectus of the SEZs in India.

KEYWORDS

Special economic Zone, growth, investment, regional development, export competitiveness.

INTRODUCTION:

Special Economic Zones in India were established in an attempt to accelerate foreign investment and endorse exports from India and recognizing the need of a global platform to expose the domestic firms and producers to the competitive world market. The announcement of formulating a Special Economic Zones in India was made by the government in April 2000 and was anticipated to be an overseas province for trade purposes, commercial operations, duties and taxes. SEZs when equipped are anticipated to provide premiere infrastructure services and sustenance services, besides permitting for the tariff free import of merchandize and raw materials. Furthermore, attractive financial subsidiaries and trouble-free custom tariffs, banking and other methods are provided in such business zones. Establishing SEZs is also recognized as communications development methods.

PROBLEMS OF SEZS: India's Special Economic Zones (SEZs) have been set up with so many controversies. The researcher found the following problems that have been facing SEZ in India

1. LAND ACQUISITION: The first and foremost problem before SEZ is regarding the acquisition of land. Private land is being acquired for long in 'public purpose' as defined by the Land Acquisition Act (LAA) of 1894. But large-scale acquisitions for SEZs have raised questions on whether the government should intermediate in acquiring land for private developers and whether such acquisition is justified as 'public purpose'. The questions have extended to a critical query: Is the 'eminent domain' of the Indian state discriminating against small and medium landowners? The passion aroused by the debate has been intensified by demands for restoring the right to property as a 'fundamental' right – an issue currently being examined by the Supreme Court. The laws suggest fixing compensation for acquired land on the basis of its market price. But India's opaque land markets prevent the discovery of 'correct' prices. Land prices recorded in sale (or purchase) deeds are usually under-quoted to avoid high stamp duties. Compensation also depends upon changes in land value arising from future use.

The biggest challenges faced by SEZs in today's scenario are the taking away of agricultural land from the farmers. The

farmers are being paid disproportionate money which is not in lieu of the current land prices. The greatest problem that seems to be emerging out is that arable land is being used for non agricultural purpose which could lead to food crisis and loss of self sustenance in future. At the time of declaration of the Special Economy Zone policy in 2000, it was believed to be an effective way of promoting exports and large-scale industrial development in clusters, and as a vehicle to attract foreign investment. But after 14 year the performance of all these objectives are mixed. Although they account for a quarter of India's exports, only 154 of the 587 SEZs approved were operational as of March 2013.

2. EMPLOYMENT GENERATION: The data analysis about employment generation revealed that there is problem of employment generation throughout the country. The data analysis regarding employment generation shows that the size and category of employment generated in the IT-ITES sector in Tamil Nadu, Karnataka, Andhra Pradesh, and Punjab. In Maharashtra and Gujarat, it has been predominantly multi-products and services. The eastern region has been lagging in this respect. It is also found that the scope for the displaced farmers being given jobs by the SEZs themselves is limited because they do not possess the required skills. Also more than two-thirds of the notified SEZs are located in five States — Andhra Pradesh, Tamil Nadu, Maharashtra, Karnataka, and Gujarat — which account for more than 90 per cent of the investment made and 83 per cent of the employment generated. So the employment generated in certain areas certain sector of the country

3. PROBLEM REGARDING SEZ DEVELOPERS: The economic downturn and poor export prospects have forced several SEZ developers to put their projects on hold or seek exits. SEZs involve substantive fixed costs in the forms of land acquisition and development of internal infrastructure. Given the high costs, many zones are becoming financially unviable. The situation is also becoming more complicated with developers facing difficulties in raising finance.

4. URBAN MANAGEMENT: A further complication arises from the urban management of SEZs that draws attention to their constitutional identities. Zone authorities are responsible for administering zones including the imposition of user

charges for the maintenance of civic facilities. However, does this contradict the writs of municipalities (or panchayats) that are constitutionally approved local authorities for the lands on which the zones figure?

5. REVENUE LOSS: The tax incentives extended to SEZs may lead to a loss of four to five per cent of the total tax revenues. "The (SEZ) policy is yet to be fully tested, especially with regard to the potential adverse impact on tax revenue and an increased disparity in development across regions. This could lead to some review of policy which will clearly affect developers' plans," With the government's finances not in good shape, the potential for large tax revenue losses arising from the SEZs has been a key concern, "While tax receipts are increasing and fiscal deficit decreasing, many are arguing that India cannot afford the loss of tax revenue from export business growth in SEZs,". On one hand, Commerce Department's refrain has been that without suitable tax concessions, developers would not invest and those corporate tax concessions apply to export incomes. According to the Finance Ministry estimates, revenue loss from SEZs could be over 25 billion dollars, more than the earlier estimate of 23 billion dollars for the period 2007-10.

6. DIVERSION OF EXPORTS FROM DTAS TO SEZs: Another important dimension pointed out by analysts in several leading business dailies is diversion of exports from DTAs to SEZs. In other words, the rapid increase in exports from SEZs has been accompanied by a drop in exports from non-SEZ areas, indicating a possible shift of units from outside SEZs into SEZs -- a trend that merits serious investigation

7. SEZ PARAMETER CHANGED: The several parameters will be changed to accommodate the farmers, tribals and the civil society groups who have been agitating against the SEZs such as:

1. As there is no limit on the maximum size of the multi-product SEZs now the limit has been set at 5,000 hectares.
2. To prohibit from acquiring land for the private players and they cannot form a joint venture with a private player unless the latter has the land to offer the project.
3. States can acquire land for their own SEZ provided they take care of the relief and rehabilitation as per the new policy to be announced soon.

Now the SEZs will be required to at least use 50% of the land for processing unit as compared to the earlier 35% so that the real estate component would be lower. Finally, the export requirement has been made more stringent compared to earlier.

8. REGIONAL DISPARITIES:

a. Two-thirds of the notified SEZs are located in five States — Andhra Pradesh, Tamil Nadu, Maharashtra, Karnataka, and Gujarat — which account for more than 90 per cent of the investment made and 83 per cent of the employment generated. Thus regional disparities continue even after SEZ Policy.

b. Though the SEZs have contributed to the increase in India's exports, their "success is not so significant."

c. The problems like Land Acquisition without adequate compensation, Impoverishment of farmers, Loss of agricultural land, Misuse of land for real estate, and Regional disparities etc. are yet to be unsolved.

d. It is true that new industry and businesses set up in the SEZs will generate new jobs. However, at first people would be displaced, work on the creation of the new infrastructure would then begin and new industry would take even longer time to come up so new jobs will not immediately come.

CONCLUSION: The SEZs could drastically improve the eco-

nomie activity in the country, make the country's export competitive and globally noticeable, be net foreign exchange earner and provide immense employment opportunity. But this should not be done at the cost of bringing down the agricultural activities, Land grabbing and real estate mafia should be properly regulated so that the common man is not the net sufferer to get the net foreign exchange earner up and running. As compared to china, where majority of the SEZ's were setup by the government, similar should be adopted in India, if not fully it should be a public-private partnership and regulatory bodies should be properly managed to weed out fallacies. To be economically viable SEZ's should be approved over a particular land area (greater than 1000 acres) for rapid economic growth in the area and for it to be profitable and self sustainable. Relaxed Tax norms, Labor laws and DTA regulations will surely attract foreign investment and major industries to setup industries in the SEZ's making it profitable and meeting its desired results!

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