



ORIGINAL RESEARCH PAPER

Management

A STUDY ON PERFORMANCE EVALUATION OF SPECIAL ECONOMIC ZONE WITH SPECIAL REFERENCE TO MEPZ-SEZ

KEY WORDS: Exports, Imports, Employment Generation, Investments, Special Economic Zones, Madras Export Processing Zone

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ABSTRACT

Export plays a vital and crucial role in developing economy. They are given a high priority in the foreign trade policy of economy. The Indian economy also attaches great importance to export promotion. Export being a part of international trade, is no exception. The acceleration in economic growth witnessed in the eighties, has also associated with macro economic imbalances and persistence of structural rigidities. SEZs are a new feature of Indian economic policy. The SEZ scheme was introduced by the Government of India in April, 2000 with the objectives of creation of employment opportunities, promotion of exports of goods and services, promotion of investment from domestic and foreign sources, development of infrastructure facilities and generation of additional economic activities. In the light of these expectations, it is important to evaluate the performance of MEPZs in India from their beginning to the present day and to find out whether the policy has really proved beneficial to the country or not. No comprehensive research is available into this field as yet. So, there is a need to analyze the concept, scheme, performance and working environment of MEPZs in India and it would be quite interesting and useful. An evaluation of the performance of Indian SEZs is not only of great interest from an academic point of view, but has many policy ramifications also.

INTRODUCTION

Meaning of EPZ and SEZ

EPZ or Export Processing Zone is that whose economic laws are different from the laws of country but they are designed to help the manufacturing companies that are exporting their entire production. EPZ has the sole aim to produce goods for export. The manufacturing units are given tax holiday for a fixed period of time so as to make the product competitive in the international market. SEZ or Special Economic Zone is an area in a country that is selected by the government for its development. This area has economical laws completely different from the laws of the country. These laws are made in such a manner so that they are business friendly to attract people to set up manufacturing, trading or service establishments. The establishments in SEZ can be established by foreign or native investments and the products can be sent exported or sold within the country.

PROFILE OF MADRAS EXPORT PROCESSING ZONE-SEZ

MEPZ Special Economic Zone is a multi product SEZ. The Zone was established as an Export Processing Zone (MEPZ) in the year 1984. The Zone become operational and exports commenced during the financial year 1985-86. The Zone is headed by The Development Commissioner. The Zone by The Joint Development Commissioner and Deputy Development Commissioners. The Zone was converted into a Special Economic Zone (Multi product) w.e.f.1.1.2003. The added objective of the SEZ is to facilitate exports through reduction of transaction costs. To this effect, the Govt. of India, Department of Commerce, has introduced special features that includes Off shore Banking Units and Container Freight Stations to be set up within the Zone besides liberalized Customs procedures.

It is spread over an area of 265 acres (109 hectares), MEPZ SEZ is a multi-product zone housing 122 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.

MEPZ-SEZ Facilities

- Easy Access to and from Sea port, Air ports and Railway Terminals
- Uninterrupted Power Facility
- Drinking water supply & Water Treatment Plant
- Banks, ATMs and OFC Telecommunication network.
- Child care centre & Emergency Medical Care
- Common Sewage Treatment Plant
- Common Bus Bays and Parking Facilities
- Broad Roads for Easy movement of Container

STATEMENT OF THE PROBLEM

Export plays a vital and crucial role in developing economy. They are given a high priority in the foreign trade policy of economy. The Indian economy also attaches great importance to export promotion. Export being a part of international trade, is no exception. The acceleration in economic growth witnessed in the eighties, has also associated with macro economic imbalances and persistence of structural rigidities. The thirst of the new economic policy is towards creating a competitive environment as means of improving productively and efficiency of the system. Trade policy reforms in the recent past, with the focus on liberalization, openness, transparency and globalization have provided an export friendly environment. Special Economic Zones (SEZ) are industrial estates which form enclaves from the national customs territory of a country and are usually situated near seaports or airports. The entire production of such a zone is normally intended for exports. Such zones are provided with well developed infrastructural facilities. Industrial plots/sheds are normally made available at concessional rates. Units in these Zones are allowed foreign equity even up to 100 percent. SEZ units can import capital goods, raw materials etc. for export production without payment of duty. Domestically procured items are also eligible for duty exemption. SEZ are contributing to the development and growth of export trade and given priority in any developmental activity. The demanding and growing global need it becomes inevitable that export trade had to be prioritized. The export trade is governed by various legislations and rules. To administer various Acts, rules are framed and administrative authorities are appointed. The study on Special Economic Zone assumes greater importance especially in the context, where the economy is facing acute shortage of foreign exchange. The present study has made an attempt to study the export performance of MEPZ - SEZ and the units functioning at MEPZ-SEZ Chennai in Tamilnadu State.

NEED FOR THE STUDY

SEZs are a new feature of Indian economic policy. The SEZ scheme was introduced by the Government of India in April, 2000 with the objectives of creation of employment opportunities, promotion of exports of goods and services, promotion of investment from domestic and foreign sources, development of infrastructure facilities and generation of additional economic activities. To uplift this scheme and to achieve the target of this scheme, SEZ Act, 2005, was passed by the Parliament in May 2005. SEZ Rules came into effect on 10th February 2006 which provide drastic simplification of procedures, single window clearance on matters relating to central as well as state government, provide many incentives and facilities to the developers as well as to the units operating in the SEZs. In the light of these expectations, it is important to evaluate the performance of MEPZs in India from their beginning to the present day and to find out whether the policy has really proved beneficial to the country or not. No comprehensive research is available into this field as yet. So, there is a need to analyze the concept, scheme, performance and working environment of MEPZs in India and it would be quite interesting and useful. An evaluation of the performance of Indian SEZs is not only of great interest from an academic point of view, but has many policy ramifications also.

PERIOD OF STUDY

The study period is for ten years from 2005 to 2016. The study period was fixed based on the inception of the Special Economic Zone Act, 2005. The performance of the Special Economic Zones in this study is measured after the introduction of the SEZ Act, 2005.

OBJECTIVES OF THE STUDY

- To explore the export performance of MEPZ-SEZ
- To assess the import performance of MEPZ-SEZ
- To study the Employment generation of MEPZ-SEZ
- To examine the investment performance of MEPZ-SEZ

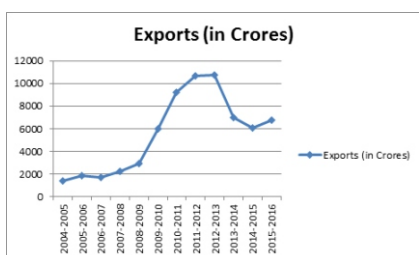
METHODOLOGY

The present study aims to evaluate the performance of the MEPZ-SEZs by employing the performance indicators framed for this study. Therefore, this study analyses how successful the Madras Export Processing Zone –SEZ are in terms of investment, employment, exports and imports. The researcher collected information from secondary sources from Development Commissioner's Office of MEPZ-SEZ i.e., Chennai, and presented in this paper, descriptive research is considered to be the most appropriate for the study

ANALYSIS AND INTERPRETATION

Table 1: TOTAL EXPORTS OF MEPZ

Year	Exports (in Crores)
2004-2005	1376.91
2005-2006	1866.78
2006-2007	1682.95
2007-2008	2226.48
2008-2009	2912.69
2009-2010	5977.59
2010-2011	9198.79
2011-2012	10688.3
2012-2013	10711
2013-2014	6964
2014-2015	6037
2015-2016	6736



The above figure shows the total export from central government established MEPZs/SEZs of India. The exports from the MEPZ has been 1376.91 Crores in the year 2004-2005 that has followed a consistent rising trend from the beginning to the 2011-2012 of the study period. From the year 2012-2013 to 2004-2015 there is a decreasing trend. A sudden increase of 700 cores was identified in the year 2015-2016.

TABLE 2: TOTAL IMPORTS OF MEPZ

Year	Total Imports
2004-2005	668.06
2005-2006	918.13
2006-2007	1201.24
2007-2008	2504.90
2008-2009	2903.12
2009-2010	3589.74
2010-2011	5511.28
2011-2012	7418.95
2012-2013	6561.26
2013-2014	2277.00
2014-2015	2170.00
2015-2016	2158.00

Source: Official records from Development Commissioner Office MEPZ-SEZ

The imports from the MEPZ have been 668.06 Crores in the year 2004- 2005. From the year 2004-2005 to 2011-2012 there is a steady growth of imports was identified. The imports from the year 2011- 2012 to 2015-2016 there is has steadily decreasing trend. The total imports of MEPZ was identified a fluctuating path during the study period.

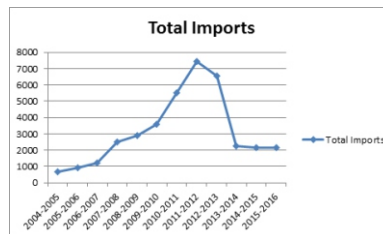
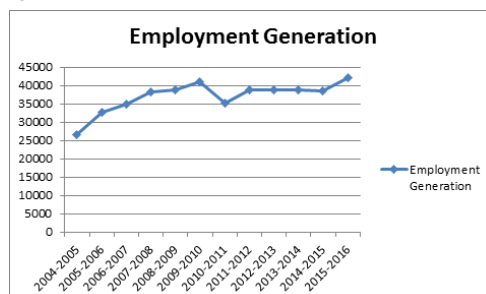


TABLE 3: EMPLOYMENT GENERATION IN MEPZ

Year	Employment Generation
2004-2005	26633.00
2005-2006	32645.00
2006-2007	34932.00
2007-2008	38269.00
2008-2009	38871.00
2009-2010	41035.00
2010-2011	35269.00
2011-2012	38871.00
2012-2013	38871.00
2013-2014	38871.00
2014-2015	38373.00
2015-2016	42197.00

Source: Official records from Development Commissioner Office MEPZ-SEZ

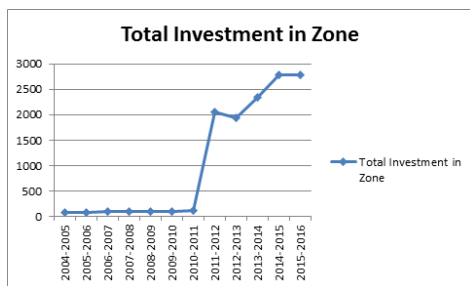


The purpose of EPZs is to aid economic development. One way this could be judged is by employment. The number and quality of jobs created are measures of the extent to which this objective is achieved. These jobs should also not be at the expense of employment in the wider economy. Table 4 explains the employment generation of MEPZ during the study period. This employment is the result of increasing employment in individual MEPZ and an increasing number of MEPZ. After a slow start total employment in BEPZs has grown relatively quickly after 2010-2011. Employment growth flattens off in 2011 – 2012 to 2013-2014. The trend reveals that there has been increasing trend during the study period.

TABLE 4: INVESTMENT IN MEPZ

Year	Total Investment in Zone
2004-2005	75.78
2005-2006	88.48
2006-2007	98.79
2007-2008	98.79
2008-2009	98.79
2009-2010	98.79
2010-2011	112.62
2011-2012	2046.62
2012-2013	1937.62
2013-2014	2340.62
2014-2015	2773.62
2015-2016	2773.62

Source: Official records from Development Commissioner Office MEPZ-SEZ



For the EPZs to generate output, employment and exports they must attract investment to the country. So analyzing investment in the EPZs is one to measure their performance. The investment that was made in the MEPZ has been 75.78 in the year 2004-2005 which increased to 88.48 in the following year. There is steady flat rate of increase up to 2010-2011. During the period 2011-2012 there is a drastic increase in nearly 20 times increase in was observed. The investment has followed a fluctuating trend up to 2010-2011 and from that year onwards there is increasing trend was observed.

SUGGESTIONS

- It should be made mandatory that power generation should cater to the SEZ developed in that area. Power generation projects are to be given top priority and be promoted as a SEZ. Renewable energy projects are also to be considered on priority as SEZ. Special power tariff rate is to be considered to those units who conserve power.
- Efforts should be taken to develop social infrastructure in all the SEZs otherwise large area acquired by the zones would be used for real estate business.
- Ministry of Finance in consultation with RBI and SEBI should announce a clearly laid down policy for financing of SEZ projects. Support for Processing Zone.
- Stop abuse from SEZ to DTA. Non SEZ units and they should not be competitively disadvantages. Tax abuse is to be stopped, e.g. Power Plan.
- The units in SEZs should have export focus. Fiscal disincentive to sell in domestic market for SEZs.

CONCLUSION

The SEZ Act is expected to give a big thrust to exports and consequently to the Foreign Direct Investment (“FDI”) inflows into India, and is considered to be one of the finest pieces of legislation that may well represent the future of the industrial development strategy in India. This study considered volume of export, investment and employment of each zone as the performance determining factors. After analyzing the data, this study found that exports are showing the decreasing trend. The other variables namely imports, employment and investment are showing the increasing trend. This research given some if the policy suggestions for development of the MEPZ-SEZ., The boon or bane argument over SEZs operation in the country can be concluded based only on its performances

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