

# Export Performance Of Special Economic Zones In India

Dr. P Hari Kumar, Assistant professor, Department of Commerce, Govt. First Grade College, Chikkaballapura-562101, KARNATAKA

**Abstract:** It is essential for any country to develop the various sectors for the sustainable development of country's economy and to get the competitive advantage in the current global scenario. After introducing economic reforms and globalization in 1991, it is a challenging to the developing countries to participate in the global markets to prove themselves and to get possible competitive advantage. In spite of these obstacles, the government has introduced the concept of SEZs in the year 2001 in India in the name of the enhancing the industrial production as well as development. For the establishment of SEZs in India agriculture farmers are losing their land and migrating to other places along with their families. Of course, SEZs are supporting the GDP and economic development in India. In this backdrop this paper made an attempt to identify the performance in terms of investment, employment and exports. For this study the secondary data has been collected from various secondary sources like journals, magazines, newspapers and other literature review and the collected data analyzed and presented in tables.

**Keywords:** Special Economic Zones, Investment, Employment, Exports, India.

## Introduction

India became first in the Asia countries to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ in 1965 set up in Kandla. Seven more zones were set up thereafter. However, the zones were unable to emerge as productive instruments for export selling on account of a lot of controls and clearances, the absence of world-class infrastructure, and an unstable fiscal regime. With a view to overcoming the above shortcomings and attract larger foreign investment (FDI) in India, the Special Economic Zones (SEZs) Policy was announced in April 2000. This policy was purposive to build SEZs an engine for economic growth supported by the quality infrastructure harmonize by a fruitful fiscal package, both at the Centre and the State level, with lowest possible regulations. All the 8 pre-existing Export Processing Zones (EPZs) detect at Kandla and Surat (Gujarat), Visakhapatnam (Andhra Pradesh), Santa Cruz (Maharashtra), Noida (Uttar Pradesh), Cochin (Kerala), Falta (West Bengal) and Chennai (Tamil Nadu) have been converted into Special Economic Zones.

## Concept and Background of Special Economic Zones

The concept of SEZ would be clear from the following description given by Arvinda Panagariya, "Conceptually, SEZs operate like foreign entities within the territory of a country. They are usually separated by physical barriers from each other and from the rest of the country. They have no trade barriers. The country's trade barriers apply strictly within the area excluding SEZs which is called the domestic tariff area (DTA). Any goods sold by representative inside the DTA to agents inside the SEZ are treated as exports of the country, and those purchased by agents in the DTA from those in the SEZ, as imports subject to custom duty. Any trade connecting the SEZ and the outside the world is allowed to bypass all custom requirements applicable to the DTA. That is foreign goods enter the SEZ free of custom duty, and abroad without being subject to any domestic taxes or customs regulations.

## SEZs Act 2005

In order to transmit firmness to SEZ regime and to attain generation of sustainable economic activity and employment by the establishment of SEZs, a comprehensive Special Economic Zones Act, 2005, was passed by Parliament in May, 2005 and collect Presidential concurrence on the 23rd of June, 2005 and the Special

Economic Zone Act was enacted. The SEZ Act, 2005, prop up by SEZ Rules, came into aftermath on 10th February, 2006.

### **The main aims of the SEZ Act are:**

- (a) Generation of additional economic activity
- (b) Promotion of exports of goods and services
- (c) Upgrading of investment from domestic and foreign sources;
- (d) Creation of employment opportunities
- (e) Development of infrastructure facilities

### **Literature Review**

**Dr. Ravi N. Kadam** (2012), in his research paper, "A Big Bang of Special Economic Zones (SEZs) on Indian Economy: issues and facts" based on the study findings, he concluded that, due to the world trend of recession in the advanced countries of the west, Indian skilled manpower had more employment opportunities within the country. Therefore, the schemes like SEZs have great employment potentials for the software architects and other skilled laborers. Hence there is necessity for social and political perception among the people to support such schemes for the all-round economic development of the country.

**Abdul Rahoof.TK and P. G. Arul** (2016), in their study "An Evaluation of Special Economic Zones (SEZs) Performance Post SEZs Act 2005" concluded that, The Government of India should concern on manufacturing sectors to establish their units within SEZs. The flagship scheme "Make in India" can be used as an occasion in favor of SEZs in terms of investment, employment generation and export promotion.

**Bhaskar** (2018), in his study, 'Impact of special economic zone on Indian economy' opined that, For SEZ only non-a In SEZ many types of industries should be generate pollution in water, air and sound. For safeguard the pollution the projects of SEZ will established 10 to 15 K.M. away from the cities and villages. Agricultural land should be given. Priority should be specified to localized people in employment.

### **Objectives of the study**

1. To know the historical background of Special Economic Zones
2. To evaluate the investment and employment generation by SEZs
3. To analyze the export performance of SEZs.
4. To give the suitable conclusion for findings

### **Methodology**

The present study is of descriptive and analytical in nature. The secondary data has been collected from the various sources such as books, Annual reports of concern boards, Ministry of Commerce and Industries, magazines like Business India, Business World, Economic Survey etc., for the analysis. The collected data is analyzed with the help of statistical tools like Percentage analysis, compounded annual growth rates (CAGR) and AAGR and is presented in the form of Tables.

## Analysis of Data

**Table No 1** Investment in SEZs in India during 2008-09 to 2017-18

(Value Rs. in Crores)

SL. No	Years	Investment in SEZs	Growth (%)
1	2009-10	148489	-----
2	2010-11	202810	36.58
3	2011-12	201875	-0.46
4	2012-13	238990	18.38
5	2013-14	236717	-0.95
6	2014-15	288477	21.86
7	2015-16	376494	30.51
8	2016-17	406690	8.02
9	2017-18	474917	16.77
	CAGR	15.64	-----

**Source:** Department of Ministry of Commerce, GOI.

(Annual Report)

The above table 1 reveals that the Investment trends of SEZ Units during the period from 2008-09 to 2017-18. It is observed that, the investment in the year 2009-10, it was Rs. 148489 crore, it has increased to Rs.474917 crore in the year 2017-18. It crossed more than 3 times in the span of 9 years. For 9 years CAGR of SEZs investment is registered as 15.64 percent. It can also be observed that, the annual growth rates of SEZs investment is up to the mark during the study period from 2009-10 to 2017-18. Gradually increasing trend of investment in SEZs during the study period recorded.

**Table No 2** Employment Generation by SEZs in India during the Period 2008-09 to 2017-18

SL. No	Years	Employment in Persons.	Growth (%)
1	2008-09	425123	-----
2	2009-10	503611	18.46
3	2010-11	676608	34.35
4	2011-12	844916	24.87
5	2012-13	1019146	20.62
6	2013-14	1074904	5.47
7	2014-15	1239845	15.35
8	2015-16	1591381	28.35
9	2016-17	1688337	6.09
10	2017-18	1977216	17.11
	CAGR	18.62	-----

**Source:** Department of Ministry of Commerce, GOI.

(Annual Report)

The above table no 2 reveals that the employment trend of SEZs during the years from 2008-09 to 2017-18. It can be observed that there is a tremendous increase in the employment generated by Special Economic Zones from the year 2008-09 to 2017-18. Total number of persons (cumulative) employed in the year 2008-09 was 4,25,123, and it rose to 19,77,216, in the year 2017-18. Really it is a remarkable trend created by SEZs in India. Annual growth rate also recorded in a stunning way. The highest annual growth rate during 10 years study period recorded in the year 2010-11 that is 34.35 percent. Again it can also be observed that the Compounded Annual Growth Rate of employment for ten years study period registered as 18.62 percent. It is a notable feature the employment rate has reached to 4.6 times in ten years span of study period.

**Table No 3** Exports from the operational SEZs from year 2005-06 to 2017-18

Years	Exports		Growth (%) Over previous year
	(Values in Rs. Crore)	(Values in Billion US \$ )	
2005-06	22,840	5.08	-----
2006-07	34,615	7.69	52
2007-08	66,638	14.89	93
2008-09	99,689	21.71	50
2009-10	2,20,711	46.54	121
2010-11	3,15,868	69.30	43
2011-12	3,64,478	76.01	15.50
2012-13	4,76,159	87.45	31
2013-14	4,94,077	81.67	4
2014-15	4,63,770	75.84	-6.13
2015-16	4,67,337	71.38	0.77
2016-17	5,23,637	78.07	12.05
2017-18	5,81,033	90.15	11
CAGR	30.96	-----	-----

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

The above table no 3 discloses the details of SEZs exports during the year 2005-06 to 2017-18. The SEZs exports has rose to Rs.5,81,033 crore in the year 2017-18 from Rs.22,840 crore where it was in the year 2005-06. The notable feature that can be seen the year wise exports trends of SEZs are outstanding. The remarkable CAGR registered by SEZs in terms of exports for 13 years study period as 30.96 percent. Even annual growth rate of SEZs showing in an acceptable way in spite of the little up and downs.

#### **The following are the merits of SEZs:**

1. According to A. Panagariya, “international trade in India is facing the problem of red tapism. The SEZs helps to overcome these problem at the time of imports and exports.”
2. Through the instrumentality of SEZs, some of the most burdensome provisions in the labor laws can be relaxed with the result that such firms can emerge.
3. Through the promotion of SEZs it would become possible to provide world-class infrastructure which is necessary to ensure unhindered production.
4. SEZs can reduce procedural complexities, bureaucratic hassles raised by monetary, trade, fiscal, taxation, tariff and labor policies.
5. SEZs offer numerous benefits like tax incentives, provision of standard factories at low rent, provision of infrastructure and utilities, single window clearance, etc.
6. SEZs are expected to give a big push exports, employment and investment.

#### **The following are the demerits of the SEZs:**

1. SEZ Act will lead to large-scale land acquisition by developers, displacement of farmers, and no alternative livelihood for them.
2. SEZs will be built on prime agriculture land. This is bound to have serious implications for food security.
3. Under SEZ Act, the land has been taken by the governments to benefit some particular private entities for private profitability not for public good. Though the government pay the compensation, the question is what is adequate compensation?
4. Tax concessions, exemptions and incentives being granted to setup units in SEZs have resulted in huge revenue losses to the government.
5. Companies will simply relocate to SEZs to take advantage of the tax concessions being offered and little net activity will be generated.

6. There will be aggravate regional disparities due to the existing strong tradition of manufacturing and exports, in spite of the SEZs are being setup in states.

7. The size and nature of SEZs also arise the questions as on 2008, more than 90% of the SEZs are less than 3 sq. km in size, that to most of them in the IT sector. Manufacturing sectors are very less.

## Conclusion

For the sustainable development and in the process of economic development of any country like India, it is a significant part of establishment of developmental activities. And it is essential to increase the Indian economy through establishment of various policies and programs of concern sectors. Among these, Special Economic Zones (SEZs) policies are one of the major activity. The SEZs have high investment and employment potentials. The Export Performance of SEZs in India divulge that the SEZs are playing a significant role in promoting exports. Majority of the SEZs focus towards IT and ITEs, Pharma, Chemical, electronics, etc. The Government of India has to kingpin attention towards manufacturing sectors to establish their units within SEZs. One of the valid observation during the study found that, both the central and state governments are acquiring the agriculture lands from small farmers in the name of SEZs through land pooling act. Due to the land pooling, farmers are migrating along with their families to others. The compensation being paid is not adequate and reasonable. The government should provide or replace the land for the farmers. To attract more FDI and to effective utilization of skilled labor, the government has to create more investment cloud.

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