



IMPACT OF SPECIAL ECONOMIC ZONES ON INDIAN ECONOMY

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ABSTRACT :

In the present study, an effort is made to study the current status of Special Economic Zones (SEZs) along with the investment in SEZs and employment generated by SEZs in the India. The findings of the study reveal that there are **223** operational SEZs in India as on 31st March, 2018. In the case of employment generation, SEZs have generated employment for around 18,42,512 persons during the period February, 2006 to 31st March, 2018. Apart from these, SEZs have attracted a huge amount of investment due to several incentives and facilities offered to the units in SEZs. In brief, the results reveal that SEZs have been playing important role in FDI attraction and employment generation in the country.

KEYWORDS : Special Economic Zones , FDI attraction and employment generation.

INTRODUCTION

India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with the establishment of Asia's first EPZ which was set up in Kandla in 1965. After extensive consultations, the SEZ Act, 2005, supported by SEZ Rules, came into force 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 (<http://sezindia.nic.in>).

Incentives and Facilities offered to the units in SEZs:

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

- 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% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years. **(Sunset Clause for Units will become effective from 01.04.2020)**
 - Exemption from Minimum Alternate Tax (MAT) under section 115JB of the Income Tax Act. **(withdrawn w.e.f. 1.4.2012)**
 - Exemption from Central Sales Tax, Exemption from Service Tax and Exemption from State sales tax. These have now subsumed into GST and supplies to SEZs are zero-rated under IGST Act, 2017.



- Other levies as imposed by the respective State Governments.
- Single window clearance for Central and State level approvals (<http://sezindia.nic.in>).

REVIEW OF LITERATURE

TK and Arul (2016) in their study entitled “An Evaluation of Special Economic Zones (SEZs) Performance Post-SEZs Act 2005” concluded that the growth of Indian SEZs with regard to investment, employment generation, export, regional development is outstanding since SEZ Act 2005 came into effect. The study also suggested that the Government of India should focus on manufacturing sectors to establish their units within SEZs. Also, it was suggested the scheme “Make in India” may be used as an opportunity in the favour of SEZs in terms of investment, export promotion and employment generation. **Mathiraj and Devi (2015)** conducted the study on export performance of SEZs in India for the period 2003-04 to 2013-14. The study was based on secondary data. It was found that SEZs are playing important role in promoting exports of our country, make the country’s export competitive, globally noticeable, earn more foreign currency as the investment and provide immense employment opportunity in the country. The study also noticed a rapid growth in SEZs export as compared to Indian total exports. **Reddy (2009)** studied the need, evolution and performance of SEZs in India. The study highlighted that SEZs have created employment, attracted FDI and promoted export in the country. The study concluded that SEZs are the real growth engines for the economic development in India. **Mukhopadhyay and Pradhan (2009)** in their study explored the location of SEZs in India. The study concluded that the majority of the SEZs in India is concentrated within few states; and within these states, these (SEZs) are located in few districts, which are top quartile of industrialization and urbanization.

OBJECTIVES OF THE STUDY

- (1) To study the current status of special economic zones (SEZs) in India.
- (2) To study the investment in SEZs as well as employment generated by SEZs in India.

RESEARCH METHODOLOGY

The present study is of analytical and descriptive in nature. The study is conducted for the 13 years ranging from 2005-06 to 2017-18. The study is based on the secondary data collected from the websites of Ministry of Commerce and Industry, Government of India, SEZ India, various journals and newspapers. The frequency of dataset is annual and the financial years which have been taken into consideration under this study, concerning the period from 1st April to 31st March.

ANALYSIS OF DATA

This section deals with the analysis of current status and export performance of SEZs along with the investment in SEZs and employment generated by SEZs in India to come up with the results.

Table 1: Special Economic Zones (SEZs) as on 31.07.2018

Number of Formal approvals (As on 31.07.2018)	420
Number of notified SEZs (As on 31.07.2018)	355 + (7 Central Govt. + 11 State/Pvt. SEZs)
Number of In-Principle Approvals (As on 31.07.2018)	32
Operational SEZs (As on 31st March, 2018)	223
Units approved in SEZs (As on 31st March, 2018)	5,146

Source: (1) www.sezindia.nic.in

Table 1 shows the key facts relating to the current scenario of SEZs in India. No. of Approved & Notified SEZs in a span of about thirteen years since the SEZs Act and rules were notified in February 2006, formal approvals have been granted for setting up of 420 SEZs, of which 355 have been notified and 32 have been

given in-principal approvals as on 31st July, 2018. Whereas, 223 SEZs are operational and 5,146 units are approved within the SEZs as on 31st March, 2018.

Table 2: Investment in SEZs in India

Investment	Investment (As on February, 2006)	Total Investment (As on 31st March, 2018)	Incremental Investment
Central Government SEZs	Rs.2,279.20 cr.	Rs.18,878.32 cr.	Rs.16,599.12 cr.
State/Pvt. SEZs set up before 2006	Rs.1,756.31 cr.	Rs.13,015.31 cr.	Rs.11,259 cr.
SEZs Notified under the Act	Non	Rs.4,43,023.74 cr.	Rs.4,43,023.74 cr.
Total	Rs.4,035.51 cr.	Rs.4,74,917.37 cr.	Rs.4,70,881.86 cr.

Source: www.sezindia.nic.in

Table 2 depicts the investment in SEZs in India. In India, SEZs have attracted significant private investment because, 100% foreign direct investment (FDI) under the automatic route is allowed as per the current guidelines of the SEZ Act, 2005 except some items such as arms and ammunition, explosive, atomic substance, narcotics and hazardous chemicals, distillation, brewing of alcoholic drinks, cigarettes, cigars and manufactured tobacco substitutes. Besides, there is no cap on foreign investments for small scale reserved items. Table shows that as on February, 2006, SEZs had an investment of Rs. 4,035.51 crore but as on 31st March, 2018, SEZs have Rs. 4,70,881.86 crore total investment. So, it can be concluded that private investors showing their interest in Indian SEZs because, several incentives and facilities are offered to the units in SEZs.

Table 3: Employment Generated by SEZs in India

Employment	Employment (As on February, 2006)	Total Employment (As on 31st March, 2018)	Incremental Employment
Central Government SEZs	1,22,236 persons	2,36,271 persons	1,14,035 persons
State/Pvt. SEZs set up before 2006	12,468 persons	99,039 persons	86,571 persons
SEZs Notified under the Act	Non	16,41,906 persons	16,41,906 persons
Total	1,34,704 persons	19,77,216 persons	18,42,512 persons

Source: www.sezindia.nic.in

Table 3 shows employment generated by SEZs in India. Table shows that 1,14,035 persons have been employed by Central Government SEZs during the period February, 2006 to 31st March, 2018. Apart from these, 86,571 persons by State/Pvt. SEZs which are set up before 2006 and 16,41,906 persons by SEZs notified under the Act have employed during the period February, 2006 to 31st March, 2018. In nutshell, SEZs have created employment opportunities for around 18,42,512 persons during the period February, 2006 to 31st March, 2018.

CONCLUSION

The study found that SEZs have generated employment for around 18,42,512 persons during the period February, 2006 to 31st March, 2018. A huge amount of investment has been attracted by SEZs also. In nutshell, SEZs have generated more employment and attracted a huge amount of investment which in turn, have poverty reduction and internal development effect on the economy of the country.

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