



EXPORTS PERFORMANCE OF SPECIAL ECONOMIC ZONES IN INDIA

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ABSTRACT :

SEZ scheme was introduced by the Government of India in April, 2000 with the clear objectives of promotion of exports, creation of employment opportunities, promotion of investment from domestic and foreign sources and so on. Thus, it is of great importance to evaluate the export performance of SEZs in India. Therefore, in the present study an effort is made to study the export performance of Special Economic Zones (SEZs) in the India. The findings of the study reveal that exports from SEZs increased by Rs. 22,840 crores in 2005-2006 to Rs. 5,81,033 crores in 2017-2018 with the CAGR of 30.95%. Also, it is observed that the share of SEZs exports in India's total exports has been increased from 5% in 2005-2006 to 29.71% in 2017-18. So, it is right to say that role of Indian SEZs in the foreign trade of the country has been considerable by contributing a substantial share in overall export of the country. **In brief, the results reveal that SEZs have been playing important role in exports promotion in the country.**



KEYWORDS : Special Economic Zones (SEZs), employment opportunities and exports promotion.

INTRODUCTION

Special Economic Zones (SEZs) in India were introduced under the EXIM policy of April, 2000 in order to promote the exports of goods and services, to accelerate foreign investment, creation of employment opportunities, facilitating the transfer of technology, upgrading skills and development of infrastructure facilities in the country. **"A Special Economic Zone (SEZ) is a geographical region where the economic laws are more liberal than the other parts of India"** (Prajapati, 2016).

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 **(withdrawn w.e.f. 1.4.2012)**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>).

Incentives and Facilities available to the SEZ Developers:

The major incentives and facilities available to SEZ developers include:-

- Exemption from customs/excise duties for development of SEZs for authorized operations approved by the BOA.
- Income Tax exemption on income derived from the business of development of the SEZ in a block of 10 years in 15 years under Section 80-IAB of the Income Tax Act. (**Sunset Clause for Developers has become effective from 01.04.2017**)
- Exemption from Minimum Alternate Tax (MAT) under Section 115 JB of the Income Tax Act. (**withdrawn w.e.f. 1.4.2012**)
- Exemption from Dividend Distribution Tax (DDT) under Section 115O of the Income Tax Act. (**withdrawn w.e.f. 1.6.2011**)
- Exemption from Central Sales Tax (CST).
- Exemption from Service Tax (Section 7, 26 and Second Schedule of the SEZ Act) (<http://sezindia.nic.in>).

Thus, in India, SEZs are one of the export promotion schemes which are playing a crucial role in economic development of the country by promoting exports.

REVIEW OF LITERATURE

This section of the paper is devoted to review of the studies already conducted on the topic. In this section, an attempt has been made to identify the potential area for further research. A summary of some of the studies is given below:

Kumar and Kumar (2017) conducted the study to know the current status, performance of SEZs, employment generated and investment in SEZs in India. The study was conducted for the period of twelve years ranging from 2005-06 to 2016-17. The findings of the study reveal that the role of Indian SEZs in the foreign trade of the nation has been considerable by contributing a considerable share in overall export of the country. Also, the growth of Indian SEZs with regard to exports, investment and employment generation is exceptional since SEZ Act 2005 came into force. **Prajapati (2016)** in his study entitled "An Empirical Study on Problems of SEZ in India" discussed the major problems related to the SEZs in India such as land acquisition, revenue loss to the government, regional disparities and so on. Apart from this, the study also put a focus on the prospectus of the SEZs in India. **Mathiraj and Devi (2015)** conducted a study to evaluate the exports performance of SEZs in India for the period from 2003-04 to 2013-14. It was found that SEZs have been playing important role in exports promotion, FDI attraction and employment creation in the country. **Dave (2012)** concluded a growth in the exports from SEZs for the period 2001-02 to 2007-08. In the last five years, the volume of the export has increased many folds. Also, it was concluded that the benefit derived from SEZs is evident from the investment, employment, exports and infrastructural developments additionally generated. **Kadam (2012)** studied the impact of SEZs on Indian economy. The study concluded that SEZs have high investment and employment potentials in the country. Also, the study suggested that there is need for social and political awareness among the people to support such schemes for the all-round economic development of the country. **Raheem (2011)** examined the impact of SEZs on the human development in India in the form of employment generation. It was also concluded that employment creation generates incomes, creates non-pecuniary benefits, improves the quality of life of labour and enhances their productivity. These, in turn, have poverty reduction effect. **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.

RESEARCH PROBLEM

The SEZ scheme was introduced by the Government of India in April, 2000 with the clear objectives of promotion of exports, creation of employment opportunities, promotion of investment from domestic and foreign sources and so on. Thus, the main factor in determining the success of SEZ is growth in the exports made by them. In the light of these expectations, the study is conducted to ascertain whether the policy of the SEZ has really proved beneficial to the country or not. Also, it would be quite interesting and useful to the SEZ developers, policy-makers, businessmen, Government of India and researchers to evaluate the performance of SEZs in India. Thus, in the present study, an effort is made to analyze the performance and contribution of special economic zones (SEZs) in India's export along with the attraction of investment and creation of employment opportunities by SEZs in the country.

OBJECTIVES OF THE STUDY

(1) To study the performance and contribution of special economic zones (SEZs) in India's total exports.

RESEARCH METHODOLOGY

The present study is descriptive cum analytical in nature. The study is conducted for a period from 2005-06 to 2017-18. The study is based on the secondary data and relevant statistical data for the study is drawn 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 concerning the period from 1st April to 31st March. Annual growth rate and compound annual growth rate (CAGR) have been used to analyze the data.

ANALYSIS OF DATA

This section deals with the analysis of exports performance of SEZs in India in order to come up with the results.

Table 1
Share of SEZs Exports in India's Total Exports

Years	India's total Exports		Exports by SEZs		Share of SEZs Exports in India's total Exports (%)
	Amount in Rs. Crore	Annual Growth Rate (%)	Amount in Rs. Crore	Annual Growth Rate (%)	
2005-06	4,56,418	-	22,840	-	5%
2006-07	5,71,779	25.28%	34,615	51.55%	6.05%
2007-08	6,55,864	14.71%	66,638	92.51%	10.16%
2008-09	8,40,755	28.19%	99,689	49.60%	11.86%
2009-10	8,45,534	0.57%	2,20,711	121.40%	26.10%
2010-11	11,36,964	34.47%	3,15,868	43.11%	27.78%
2011-12	14,65,959	28.94%	3,64,478	15.40%	24.86%
2012-13	16,34,318	11.48%	4,76,159	30.64%	29.14%
2013-14	19,05,011	16.56%	4,94,077	3.76%	25.94%
2014-15	18,96,348	-0.45%	4,63,770	-6.13%	24.46%
2015-16	17,16,384	-9.49%	4,67,337	0.77%	27.23%
2016-17	18,49,434	7.75%	5,23,637	12.05%	28.31%
2017-18	19,55,541	5.74%	5,81,033	10.96%	29.71%
CAGR	12.89%		30.95%		

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

(2) Export and Import Databank, Department of Commerce, Ministry of Commerce and Industry, Government of India

Table 1 reveals that the exports from SEZs as well as from India increased rapidly during the period 2005-06 to 2017-2018. However, it is noticed that the exports from SEZs increased at higher rate than the total exports from India. The table shows that the exports from India increased by Rs. 4,56,418 crores in 2005-06 to Rs. 19,55,541 crores in 2017-18 with the growth rate of **12.89%**. The exports from SEZs increased by Rs. 22,840 crores in 2005-2006 to Rs. 5,81,033 crores in 2017-2018 with the growth rate of **30.95%**. It is also clear from the table that the share of SEZs exports in India's total exports has increased from **5%** in 2005-2006 to **29.71%** in 2017-18.

Graph 1.1
Share of SEZs Exports in India's Total Exports



Source: Extracted from table 1

Graph 1.1 shows the share of SEZs exports in India's total exports. It is clear from the figure that the shares of SEZs exports in India's total exports have been increasing over the time. The growth in the share of SEZs exports in India's total exports is very encouraging. It is also clear from the figure that the share of SEZs exports in India's total exports has increased from **5%** in 2005-2006 to **29.71%** in 2017-18.

CONCLUSION

This study reveals that SEZs are playing important role in economic development by promoting exports. The findings of the study reveal a growth in the exports from SEZs. The exports from SEZs increased by Rs. 22,840 crores in 2005-2006 to Rs. 5,81,033 crores in 2017-2018 with the growth rate of 30.95%. So, the volume of the export has increased many folds during the study period. Besides, the share of SEZs exports in India's total exports has also increased. Thus, the significance of SEZs in exports can be realized from the increasing trend in the value of SEZ's exports and the share of SEZs export in total export of India.

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Websites:

- (1) www.sezindia.nic.in
- (2) <http://commerce-app.gov.in/eidb>

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