



EXPORT PERFORMANCE OF SPECIAL ECONOMIC ZONES AND ITS ECONOMIC CONTRIBUTION IN INDIA

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ABSTRACT

The Special Economic Zones Act 2005 was passed by Parliament in May 2005, which received Presidential assent on the 23rd June 2005. SEZs in India functioned from 1st November 2000 to 9th February 2006 under the provisions of Foreign Trade Policy. The EXIM Policy Statement of 2004-2009 had stated that SEZs could be established under private sector, joint sector or public sector at the initiative of state governments to provide an internationally competitive and hassle free climate for export promotion. The main objectives of the SEZ Act are – (a) Generation of additional economic activity (b) Promotion of exports of goods and services (c) Promotion of investment from domestic and foreign source (d) creation of employment opportunities (e) Development of infrastructure facilities.

KEYWORDS: Construction, Standardization, Organizational Climate, School Teachers.

INTRODUCTION

The concept of Special Economic Zone (SEZs) is the gift of the People's Republic of China to the world Community which setup SEZs as early in 1970 as a measure to attract capital, technology and managerial expertise. SEZs can be defined as specially delineated duty free enclaves deemed to be foreign territories for the purpose of trade operations duties and tariffs. SEZs include the development of roads, airports, transport system, telecom, hospitals, hotels, generation and distribution of power and construction of industrial and commercial complexes.

In India, the concept of free zones was emerged during the sixties. India was the first country in Asia which set up an Export Processing Zones (EPZs) in 1965 at Kandla in Gujarat called the Kandla Free Trade Zone. After this six more EPZs were set up in Maharashtra, West Bengal, Tamil Nadu, Uttar Pradesh, Kerala and Andhra Pradesh. The SEZs Act passed by the parliament in May 2005. This Act came in to force in February 2006, providing for single window clearance system. Some important features of the SEZs are given below –

- 1] A designated duty free enclave to be treated as foreign territory only for trade operations and duties and tariffs.
- 2] No license required for imports.
- 3] Manufacturing, Trading and Service activities allowed.
- 4] Full Freedom for sub-contracting.
- 5] No routine examination by customs authorities of export/import cargo.
- 6] SEZs units to be positive net foreign exchange earners within three years.
- 7] Domestic sales subject to full customs duty and import policy in force.

Under the SEZ scheme, the functioning of the zone is governed by a three tier administrative set up as given under:- 1) The Board of Approval is the apex body & is headed by Secretary, Department of Commerce. 2) The unit the Approval committee at the zonal level dealing with approval of units in the SEZs and other related issues. 3) Each zone is headed by a Development commissioner, who also heads the Unit Approval Committee.

The Developer submits the proposal for establishment of SEZ to the concerned State Government. The State Government has to forward the proposal with its recommendation within 45 days from the date of receipt of such proposal to the Board of Approval. There is also a provision that the applicant can submit the proposal directly to the Board of Approval. The Board of Approval has 19 members and it has been constituted by Central Government in exercise of the powers conferred under the SEZ Act. All the decisions in the Board of Approval are taken by consensus. Secretary, Department of Commerce is the Chairman of this Board. There are three stages in approval for settings up SEZs, i.e. Principle Approval, Formal Approval, and Notification.

Principle Approval - when the land is not in the possession of the developer and the proposal for setting up of an SEZ is considered as a grant of principle approval.

Formal Approval - When the land is in the possession of the developer and other necessary procedures are complete all proposals for setting up SEZs are considers for formal approval by a board & finally by the empowered group of ministers.

Notification - The final approval of the SEZ is called notification. It allows the developers to start operation for development of the SEZ and subsequent setting up of units.

Who can setup SEZs- any private/ public/joint sector/ state government or its agencies and foreign companies can setup SEZs.

There are four types of SEZ in India - i) Multi-Product SEZs ii) Sector-Specific SEZs iii) IT/ITES, Gems & Jewelry & Biotech SEZs &iv) Free Trade Warehousing Zones. SEZ units are given 100 percent tax exemption on export income for first five years, 50 percent for next five years and 50 percent of ploughed back export profit for the next five years. The units are further exempted from minimum alternate tax, central sales and service tax. The Proposed National Investment and Manufacturing Zones (NIMZS) promise a triple bonanza for SEZs easier access to land, flexible labour policies and varies concessions proposed by the Development of Industrial Policy and Promotion (DIPP). SEZs located in NIMZs will also enjoy the incentives under the SEZ act. In this context the performance of the SEZs and their impact on exports, employment and investment needs closer look. The present study is an attempt in this direction.

REVIEW OF LITERATURE:-

The researcher has reviewed many literatures focusing on SEZs in India, a few doctoral theses on the SEZ, national and international journals and government reports. Following are the same of the works reviewed as below.

Aggarwal (2004) analyzed the export performance of Indian EPZs since their inception. The growth rates of aggregate exports, foreign exchange earnings and employment showed a steep jump when new EPZs were created in the early eighties. The share of EPZ export to total export showed a very gradual rising trend during the last twenty years. This is due to the rising trend in electronics exports. However, lack of single window clearance facilities, the attitude of the officials, centralized governance, stringent labour laws and poor physical and financial infrastructure resulted in relatively poor investment climate in the zones.

Viswanadhan (2006) analyzed the export performance of SEZs in India. The author examined that total export from the existing EPZs notified as SEZs after the SEZ Act, for the year 2004-05 were Rs. 18300 crore. Nearly 45 per cent of the total exports came from SEZ

Govilkar (2008) analyzed SEZ Act, 2005 and SEZ Rules, 2006. The study found that policy of SEZ has been adopted and implemented with the objective that it will develop sufficient and high quality infrastructure by private sector, will attract considerable foreign investment, will increase employment opportunities, will boost the export, and thereby will expand economic activities in the country. The industrial islands could become engine of growth. India, to get better share in world trade, must undertake

special efforts, when the global export opportunities are increasing. SEZ could be a prominent policy for the same.

Sampat (2008) explored some stand in the political scheme of SEZs in India with specific reference to one immediate fall out of serious concern and contestation the imminent displacement of thousands of people livelihoods in countrywide where these SEZs are stated to come up. A factsheet on SEZs on the Government of India website gives details of the number of approved and proposed SEZs, their land requirements as well as export and employment potential. However, there is no mention of the number of people to be displaced by these zones and it is not clear, how the government intends to attend the issues of displaced.

Reddy (2009) made a detailed analysis on the need and evolution of SEZs in India and the performance of Indian SEZs. The study highlighted that the overwhelming response to the SEZ scheme is evident from the flow of investment, creation of additional employment, export performance and attracted FDI in the country. The study concluded that the SEZs are real growth engines for the economic development of the country.

OBJECTIVES OF THE STUDY:-

The main objectives of the study are –

- [1] To evaluate export performance of special economic zones in India.
- [2] To assess the SEZs economic contribution in India.

METHODOLOGY:- The secondary data have been used to analyze the SEZs economic contribution and their effect on export, investment and employment generation from 2006 for the study.

Limitations of the Study:- The study is limited to period from 2006 to 2018.

Special Economic Zones in India: An Overview:-

Particulars	Relevant Information
SEZs Policy announced	April 2000
SEZs Act passed by the parliament	May 2005
SEZs Act become operational	February 2006
No. of SEZs Operational/Exporting	223
No. of IT based SEZs	129
No. of Multi product SEZs	24
. No. of other specific SEZs	70
No. of units in the SEZs	3818

Source:- Compiled from sources.

The total number of SEZs operation / exporting at present is 223, out of which 129 SEZs are IT based, 24 are Multi products and 70 other Sector Specific SEZs. The total numbers of units working in the SEZs are 3818.

State wise Distribution of SEZs:-

States/UTs	Formal Approvals	In principle Approvals	Notified SEZs	As on 31-07-2018 Exporting SEZs (Central Govt. + State Govt./Pvt. SEZs + Notified SEZs under the SEZ Act., 2005)
AndhraPradesh	31	4	26	19
Chandigarh	2	0	2	2
Chhattisgarh	2	1	1	1
Delhi	2	0	0	0
Goa	7	0	3	0
Gujarat	28	4	24	19
Haryana	24	3	21	6
Jharkhand	1	0	1	0
Karnataka	62	0	51	28
Kerala	29	0	25	19
MadhyaPradesh	10	0	5	4
Maharashtra	56	12	50	29
Manipur	1	0	1	0
Nagaland	2	0	2	0
Odisha	7	0	5	4
Pondicherry	1	1	0	0
Punjab	5	0	3	3
Rajasthan	5	1	4	2
Tamil Nadu	50	3	47	38
Telangana	64	0	58	30
Uttar Pradesh	24	1	20	12
West Bengal	7	2	5	7
Grand Total	420	32	355	223

Source:- Calculation are based on the data obtained from Ministry of Commerce and Industry, Department of Commerce, Government of India.

Due to wide range of incentives, facilities and many other relaxations amended in SEZs, majority of the states in the country are motivated to set up SEZs to enjoy the advantages generated through these zones. Presently, there are 420 formal approvals of SEZ across 22 states in the country, Out of these 355 SEZs are notified. Among Various states Telangana ranks first in the country The Other States like Karnataka, Maharashtra, Tamil Nadu, Andhra Pradesh and Gujarat are likely to have significant area under SEZ.

It is to be noted that Out of total 420 approvals the selected states such as Telangana Karnataka, Maharashtra, Tamil Nadu, Andhra Pradesh, Gujarat, Uttar Pradesh, Kerala, Haryana and have contributed 368 approvals and the rest of the states contributed for remaining 52 approvals. It is unfortunate that some

of the states have not shown any interest in SEZ. The following above table shows state wise distribution of SEZ approvals.

Export Performance of SEZ in India:- Export from the operational SEZs during the last thirteen years is as under-

Year	Value of SEZ exports (Rs. in Crores)	Growth Rate over previous year
2005-06	22840	-
2006-07	34615	52
2007-08	66638	93
2008-09	99689	50
2009-10	220711	121
2010-11	315868	43.11
2011-12	364478	15.39
2012-13	476159	31
2013-14	494077	4
2014-15	463770	-6.13
2015-16	467337	0.76
2016-17	523637	12.65
2017-18*	581033	13.39

(*As on 31-03-2018)

Source: Calculation are based on the data obtained from Ministry of Commerce and Industry, Department of Commerce, Government of India

Export from the functioning SEZs during the last eleven years has increased to Rs 581033Cr in 2017-18 from Rs. 22,840 Cr in 2005-06.

State wise export from SEZs (2008-2015):-

S. No.	State /UTs	Total Export from SEZs (2008 to 2015) (Values in crores)	SEZs Total Share %
1	Gujarat	1199775.33	46.54
2	Karnataka	241254.96	9.36
3	Tamil Nadu	367886.46	14.27
4	Maharashtra	230340.52	8.39
5	Kerala	145489.98	5.64
6	Andhra Pradesh & Telangana	140340.72	5.44
7	Uttar Pradesh	82683.09	3.21
8	West Bengal	110341.95	4.28
9	Haryana	30295.92	1.18
10	Madhya Pradesh	11929.6	0.46
11	Rajasthan	9076.38	0.35
12	Chandigarh	6934.48	0.27
13	Orissa	1364.09	0.05
14	Chhattisgarh	17.09	0.02
15	Goa	0	0
	All India Total Exports in SEZs	2577730.57	100

Source: - sezindia2016

From the above table it is noted that Gujarat which is contributing nearly half (46.54%) of the export value followed by Tamil Nadu and Karnataka whose export value contribution in percentage are 14.27 and 9.36 respectively. It can be noted that SEZ in various states is not functioning effectively. The export contribution value is an evident that only Gujarat, Tamil Nadu, Karnataka and Maharashtra is contributing significant value to total export.

Economic Contribution:- The significance of any variable with respect to the economy can be measured by its impact on country's GDP. Hence forth export contribution to Indian GDP and export contribution through SEZ to Indian GDP is measured whose table is depicted below-

Year	Total Export**	Total Export From SEZ*	GDP**	GDP Contribution by Export	GDP Contribution by Export From SEZ
2006	456418	22840	3390503	13.46	0.67
2007	571779	34615	3953276	14.46	0.88
2008	655864	66638	4582086	14.31	1.45
2009	840755	99689	5303567	15.85	1.88
2010	845534	220711	6108903	13.84	3.61
2011	1136964	315868	7248860	15.68	4.36
2012	1465959	364478	8391691	17.47	4.34
2013	1634318	476159	9388876	17.41	5.07
2014	1905011	494077	10472807	18.19	4.72
2015	1716378	463770	12541208	13.69	3.70
2016	2351270	467337	12552556	18.73	3.72

Source: *(sezindia.2016), **(RBI 2016)

It is important to note that overall export and export through SEZ is making significant contribution to GDP.

Employment Generation of SEZs:-

Employment	Employment (As on Feb, 2006)	Incremental Employment	Total Employment (As on 31st March 2018)
Central Government SEZs	1,22,236 persons	1,14,035 persons	2,36,271 persons
State /Pvt. SEZs set up before 2006	12,468 persons	86,571 persons	99,039 persons
SEZs Notified under the Act	0 persons	16,41,906 persons	16,41,906 persons
Total	1,34,704 persons	18,42,512 persons	19,77,216 persons

(Source:- sezindia.in fact sheet 2018)

As on 31-03-2018, out of total employment 19,77,216 Persons in SEZs, an incremental employment of 18,42,512 Persons was generated after February 2006 when the SEZ Act came into force.

Investment in SEZs:-

Investment	Investment (AS on Feb 2006)	Incremental Investment	Total Investment (As on 31st March, 2018)
Central Govt. SEZs	Rs. 2,279.20 Cr	Rs. 16,599.12 Cr	Rs. 18,878.32 Cr
State / Pvt. SEZs Set up before 2006	Rs. 1,756.31 Cr	Rs.11,259 Cr	Rs. 13,015.31 Cr
SEZs Notified under the SEZ Act	-----	Rs. 4,43,023.74 Cr	Rs.4,43,023.74 Cr
Total	Rs. 4,035.51 Cr	Rs.4,70,881.86 Cr	Rs.4,74,917.37 Cr

Source:-sezindia.in fact sheet 2018

Indian Government's flexibility towards SEZ reform (SEZ Act 2005) as a part of its economic strategy has resulted in increased investment in the sector. Total investment in SEZs till 31-03-2018 is Rs. 4,74,917.37Cr.

Land for SEZs:-

7 Central Govt. + 11 State/ Pvt. SEZs Notified before SEZ Act 2005	Notified SEZs under the SEZ Act 2005	Total Notified SEZs Area (1+2)	Formally Approved SEZs	Total Area (3+4)
(1)	(2)	(3)	(4)	(5)
2827.11 Ha	44414.72 Ha	47241.83 Ha	14382.14 Ha	61624 Ha

Land is a State Subject Land for SEZs is procured as per the policy & procedures of the respective State Governments.

Areas of concern:- The SEZs in India despite success in the area of exports, employment and investment are not free from the problems. The major areas of concern are explained below. 1) There is huge revenue loss to the government due to the tax concessions incentives exemptions etc given to the SEZs units. 2) Some big companies and units are simple relocating to SEZs to take advantage of tax concessions and other incentives being offered to them. 3) There is one school of thought that opines that the SEZs are beneficial to certain business people rather than to the common man of the country.

Present Problems of SEZs:- The SEZ in India despite the success in areas of exports are not free from the problems. The major problems include controversy on the issues related farmers, lack of world class infrastructure services, complicated labour laws, loss of fertile agricultural land, loss of revenue to the government and adverse effects of uneven growth, SEZs are small in size, restrictive policies, lengthy procedures, locational disadvantages, opposition from public etc.

Suggestions:- In order to overcome these problems and make the SEZs programme more effective, the following steps might be considered 1) The sufficient provision of infrastructure services like water, power, transport and communication should be made in the SEZs campus. 2) A well balanced and conducive policy environment should be made available to make SEZs programme successful proportion. 3) The developed irrigated and fertile agricultural land should be excluded while selecting the location for the SEZs. 4) While passing the approval the strategic importance of the product and development needs of the region should be taken in to account. 5) The developers of the SEZs should be encouraged to set up SEZs in backward areas of the country by providing necessary and basic infrastructure. 6) Efforts should be made to attract foreign investment in the SEZs for the development of roads, telecommunication, power and

housing. 7) Thrust should be on establishing linkage and co-ordination among the SEZs and National Investment and Manufacturing Zones (NIMZS).

CONCLUSION:-

SEZs were meant to be growth engine of export and creation of employment, inflow of foreign direct investment and development of infrastructure of our country. SEZs are also a vehicle of growth and development for developing countries. The SEZs have high investment and employment potentials. The country has been an important investment destination for the foreign investors apart from the domestic private corporate bodies. Hence there is need for social and political awareness among the people to support such schemes for the all round economic development of the county.

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