An Analysis on Special Economic Zones in India

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Abstract
A Special Economic Zone (SEZ) may be defined as a particular location where economic laws are more liberal than the other parts of the country. In India, the SEZ policy was formulated by the Central Government during the year 2000. The SEZ Act of 2005 came into effect during the February, 2006 with the target of creating the Special Economic Zones as an engine for development, supported by quality infrastructure and a fiscal package both at the Central and State level. SEZ is governed and run through the government to boost international trade for improving the economy. SEZs provide necessary infrastructure and other such accommodations to help and promote companies situated within the SEZ to indulge in international trade. This paper attempts to analyse the performance of special economic zones with respect to evolution, employment and exports in an Indian Scenario.

I. INTRODUCTION

Special Economic Zones in India were established in an attempt to accelerate foreign investment and endorse exports from India and recognizing the need of a worldwide platform to point out the domestic firms and producers to the competitive world market. The announcement of formulating a Special Economic Zones in India was made by the government in April 2000. SEZs are anticipated to provide premiere infrastructure services and sustenance services, besides permitting for the tariff free import of merchandize and raw materials. Also, attractive financial subsidiaries and trouble-free custom tariffs, banking and other methods are to be provided in such business zones.
The main objectives of the SEZs are:

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

II. OBJECTIVES OF THE STUDY

➢ To trace the Historical trend in the Special Economic Zones.
➢ To study the employment creation of SEZ.
➢ To understand the sector wise distribution of Special Economic Zones.
➢ To examine the share of SEZs exports with respect to India’s total exports.

III. METHODOLOGY

The research is basically based on secondary data available in the electronic information domain, various publications, books, magazines, reputed journals, research papers, newspapers.

PROFILE OF THE STUDY

HISTORICAL TRENDS IN SEZs

SEZs have a long history, with traders operating off ships, moving cargoes and re-exporting goods with little or no interference from local authorities. Modern free zones, adjacent to seaports or airports or along border corridors, appeared within the
1960s. They began expanding during the 1980s, with the spread of export-oriented industrial development strategies in many countries, especially in Asia, also because the increasing reliance of worldwide manufacturers on offshore production.

The acceleration of international production within the late 1990s and 2000s generated another wave of latest SEZs, with many developing countries across all regions. Global trade rules limiting incentives linked to exports and the phasing out of exemptions to those rules for low-income countries were expected to curtail the growth of export processing zones (EPZs). Yet the trend barely slowed, as SEZ policies adapted to the new rules, while maintaining the essential offer to investors – business-friendly environments with relief from customs and monetary duties. The global financial crisis and the resulting dip in global trade only marginally slowed the establishment of new SEZs. The current deceleration in globalization and international production has the other effect, as governments are responding to greater competition for mobile industrial activity with more SEZs and new types of SEZs. There are nearly 5,400 SEZs today, quite 1,000 of which were established within the last five years. At least 500 more zones (approximately 10 per cent of the present total) are announced and are expected to open within the coming years.

**EMPLOYMENT IN SPECIAL ECONOMIC ZONES (SEZs)**

Employment in Special Economic Zones (SEZs) in India (Rs in Crores)

| Years       | Incremental Employment | Growth Over Previous Year (%) | Total Employment | Growth Over Previous Year (%) |
|-------------|------------------------|-------------------------------|-----------------|-------------------------------|
| 2006 (as on February, 2006) | 1,34,704               | -                             | 1,34,704        | -                             |
| 2007-2008   | 2,01,531               | 49.61                         | 3,36,235        | 149.61                        |
| 2008-2009   | 2,52,735               | 25.41                         | 3,87,439        | 15.23                         |
| 2009-2010   | 3,68,907               | 45.97                         | 5,03,611        | 29.98                         |
| 2010-2011   | 5,41,904               | 46.89                         | 6,76,608        | 34.35                         |
| 2011-2012   | 7,10,212               | 31.06                         | 8,44,916        | 24.88                         |
| 2012-2013   | 9,40,200               | 32.38                         | 10,74,904       | 27.22                         |
| 2013-2014*  | 11,05,141              | 17.54                         | 12,39,845       | 15.34                         |
| 2014-2015** | 12,15,367              | 9.97                          | 13,50,071       | 8.89                          |
| 2015-2016   | 13,07,612              | 7.59                          | 14,42,316       | 6.83                          |
| 2016-2017   | 14,56,677              | 11.40                         | 15,91,381       | 10.33                         |
| 2017-2018   | 16,88,747              | 15.93                         | 18,23,451       | 14.58                         |

Source: Report of the Comptroller and Auditor General of India (2012-2013)

Incremental employment has shown growth rate of 49.61% in 2007-2008. It has shown an increasing trend from 25.41% in 2008-2009 to around 46.89% in 2010-2011. However, incremental growth rate decreased from 2013 to 2016 as a result adverse
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market conditions. SEZs have generated employment from 1, 34,704 employees in the year 2006 to 18, 23,451 employees in 2017-2018.

Sector-wise Distribution of approved SEZs

| Sectors                                      | Formal approvals | In-principle approvals | Notified SEZs | Exporting SEZs(7 Central Govt. + 11 State Govt./Pvt. SEZs + notified SEZ without the SEZ Act, 2005) |
|----------------------------------------------|------------------|------------------------|---------------|-------------------------------------------------------------------------------------------------|
| Agro-processing                             | 5                | 2                      | 5             | 1                                                                                               |
| Airport based multiproduct                   | 2                | 0                      | 0             | 0                                                                                               |
| Auto and related                             | 1                | 1                      | 1             | 1                                                                                               |
| Aviation/Aerospace/Animation & Gaming/Copper | 6                | 1                      | 5             | 4                                                                                               |
| Beach & mineral/metal                       | 2                | 0                      | 2             | 1                                                                                               |
| Biotechnology                               | 23               | 1                      | 16            | 3                                                                                               |
| Building prod./mal./transport equipments/ceramic and glass | 2 | 2 | 2 | 2 |
| Electronic product/Industries               | 2                | 0                      | 2             | 2                                                                                               |
| Engineering                                 | 13               | 1                      | 13            | 13                                                                                              |
| Footwear/Leather                            | 5                | 0                      | 5             | 3                                                                                               |
| Food Processing                              | 3                | 0                      | 2             | 2                                                                                               |
| FTWZ                                         | 9                | 4                      | 5             | 4                                                                                               |
| Gems and Jewellery                          | 6                | 3                      | 3             | 3                                                                                               |
| Handicrafts & Carpets                       | 3                | 0                      | 2             | 2                                                                                               |
| IT/ITES/Electronic Hardware/Telecom equipments | 274             | 0                      | 234           | 129                                                                                              |
| Alumina/Aluminium                           | 2                | 0                      | 2             | 1                                                                                               |
| Light Engineering/Metallurgical Engineering/Automotive Components | 1 | 0 | 0 | 0 |
| Multi-Product                               | 20               | 9                      | 17            | 23                                                                                              |
The Sector-wise distribution of approved SEZs shows that 64.76% shares are in formally approved SEZs from IT/ITES/Electronic Hardware/Telecom equipment sector. Other major sectors are biotechnology; Multi-product, Pharmaceuticals/chemicals and Engineering are having 17.02% shares in formally approved SEZs. Out of 222 Exporting SEZs, 129 (i.e. 58.22%) are within IT/ITES Sector. It indicates that India is growing in IT/ITES/ Electronic Hardware/Telecom equipment sector. This can be attributed to the increase in IT/ITES related activities in India.

### Total Exports of India Vs SEZs Exports

| Year     | Total Exports of India As on 31.01.2019 | SEZs Exports of India As on 22.01.2019 |
|----------|----------------------------------------|---------------------------------------|
|          | Total Exports | Rs in Crores | % | Rs in Millions | % | Rs in Crores | % | % (Rs in Crores) SEZs share in Total Exports |
| 2005-2006 | 456418        | 21.6         | 103091 | 23.41 | 22840 | - | 5.00 |
| 2006-2007 | 571779        | 25.28        | 126414 | 22.62 | 34615 | 52 | 6.05 |
| 2007-2008 | 655864        | 14.71        | 163132 | 29.05 | 66638 | 93 | 10.16 |
| 2008-2009 | 840755        | 28.19        | 185295 | 13.59 | 99689 | 50 | 11.86 |
| 2009-2010 | 845534        | 0.57         | 178751 | -3.53 | 220711 | 121 | 26.10 |
| 2010-2011 | 1136964       | 34.47        | 249816 | 39.76 | 315868 | 43 | 27.78 |
| 2011-2012 | 1465959       | 28.94        | 305964 | 22.48 | 364478 | 15 | 24.86 |
| 2012-2013 | 1634318       | 11.48        | 300401 | -1.82 | 476159 | 31 | 29.14 |
| 2013-2014 | 1905011       | 16.56        | 314405 | 4.66 | 494077 | 4 | 25.94 |
| 2014-2015 | 1896348       | -0.45        | 310338 | -1.29 | 463770 | -6 | 24.46 |
| 2015-2016 | 1716378       | -9.49        | 262290 | -15.48 | 467337 | 1 | 27.23 |
The above table depicts the total exports of India as on 31.01.2019 and special economic zones' exports as on 22.01.2019. Totally 13 completed financial year results of total exports of India (Rs in Crores) indicated that 11 years shows as positive growth and remaining two years shows negative growth. The results of special economic zones exports shows that 11 years shows as positive growth and remaining one year shows negative growth. It also exhibits that percentage of share of SEZs share in Total Exports (Rs in Crores) SEZs shows at positive growth during the study period.

**IV. CONCLUSION**

Special Economic Zones (SEZs) have contributed significantly within the past by way of investments, incremental investments, employment and incremental employments. It also facilitated positive growth in exports. This will bring into India a positive and notable position in terms of International Trade. The study finally suggests that the union and state governments should take necessary step to offer various monetary and non-monetary start-ups, subsidies, direct and indirect tax holiday for setting new SEZs in aside from top five state and sectors in India. Also, the rest of the union and state governments should take necessary step to give various monetary and non-monetary start-ups, subsidies, direct and indirect tax holiday for setting new SEZs in aside from top five state and sectors in India.

Minimum land availability at reasonable cost, availability of domestic and foreign investments, labor cost and infrastructure facilities like road, port, airport, water, power, transport facility and other facilities are deciding factors for starting SEZ in India. The minor policy modifications and corporate reforms may unfavorably impact the development of these zones. The government should make various innovative policies for more consistent investment environment which in turn paves way for economic development. It would also result in the promotion of exports, creating employments and improving balance of payments of positions by way of ease doing business in India. It also paves a way to attract for various existing and new Indian and foreign entrepreneurs to invest in Indian Special Economic Zones.
V. REFERENCE

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