

Justification and Outcome of SEZ in India

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Abstract

*Economic growth is defined as an increasable GDP over a time (normally it is taken as an year).Rate of growth $= \frac{dy}{dt} = \frac{Gt-Gt-1}{Gt-1} * 100$ where GT and GT-1 carry their usual meanings. The indicator of growth are increase in GDP, increase in per capita GDP, increase in standard of living, increase in consumption, savings, Investment, and volume of employment, improvement in technology through advancement in science, engineering research through skill development along with carrying out innovations, reduction in poverty and inequalities, development of infrastructure, health, education and sanitation and the last but not the least inclusive and sustainable growth. Wherever growth process is undertaken, generally it starts with the concept of unbalanced growth (the ideal given by Prof Hirschman).As such there are regional and sectoral imbalances and instabilities are generated into the system. Hence the idea of creating special economic zone came into being with a specific objective to increase foreign direct Investment and exports in the country. Capital plays a vital role in the development process and after the adoption of new economic policy 1991(L+P+G) the world has become a global village. At that time the gain reality of foreign exchange crisis come no longer be cancelled. Economics has been a subject known as a political economy. SEZ has been the brain of child of the government led by former PM and role economist Prof.Manmohan Singh. Therefore a through probe into the idea of SEZ is needed in the light of the change of the Government.*

Keywords- Unbalanced growth,SEZ ,FDI and Foreign Exchange.

Introduction: There was concern that SEZ's primarily focus on real estate, that there is a lack of level playing field between manufacturing units within SEZs and those in the Domestic Tariff Area and that

there can be large loss of revenue or account of tax concessions . For exports of goods and services that are already being exported without such concession. These concession would need to be addressed and where necessary adequate safeguard put in place”. Planning Commission and Approach of the 11th Five Year plan (2006).Special Economic Zone (SEZ) denote geographical areas which enjoy special privileges as compared with non-SEZ areas in the country. The main motivating force for setting up SEZ come from the ministry of Commerce with view to boost exports by attracting both Indian and foreign corporate to undertake investment in these areas. Earlier export processing zone have also being converted into Special Economic Zone. **The government has converted export processing zone located as per details given below into SEZs**

1. Kandla (Surat – Gujrat)
2. Santa Cruz (Mumbai – Maharastra)
3. Falta (West Bengal)
4. Chennai (Tamilnadu)
5. Vishakhapatnam (Andhra Pradesh)
6. Noida (Uttar Pradesh)

In the present scenario of globalization, the theory of comparative cost advantage of international has become relevant. Every countries is trying it incase its competitive strength in order to take challenges in the global market. India has a adopted the policy of export promotion and import substitution so that there may not be the problem of foreign exchange. Every country is trying to make its fundamentals strong. In a developing economy SEZ could play an important role in developing social and economic overheads (SOC) that is the basic requirements of economic growth or in other words infrastructural facilities e.g. transport, Communication, Information Technology, educational work, health care, technical education skill development, basic and heavy industries etc. When SOC is created, than Direct productive activities are motivated in the economy. By creating unbalances in the economy, a smooth surface is built-up leading the development.

The main argument to establish SEZ was to promote export by concentrating resources in some products (designated as SEZs). The policy was introduced in April 2000 to provide internationally competitive and hassle –free environment for exports. The units could be setup to manufacturer good or render different kind of services. The basic objective was that SEZ should become a foreign exchange earner. But rigid Conditions were not applied to production units in this regard. Moreover, SEZ could be setup in public-sector, in private sector or in a cooperative sector. SEZ are supposed to be duty free enclaves of development and zones for purpose of trade duties and tariff. In order to boost export and

foreign exchange several fiscal and regulatory incentives were extended to developers of SEZ as well as to the production units within the special economic zone.

Literature Review:

According to Prof. Arvind Panagaria Conceptually SEZs Operate likely foreign entities within the territory of country. There 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 the SEZs, which called the domestic traffic area (DTA). Any goods sold by agent the DTA to agent inside the SEZ are treated as export of the country, and those purchased by agent in the DTA from those in the SEZ, as imports subject custom duty .Any trade between the SEZ and the outside world is allowed to bypass all custom requirements applicable to the DTA. That is, foreign goods enter the SEZ free of custom duty, and exit abroad without being subject to domestic taxes or customs regulations". Arvind Panagaria India the emerging client (New Delhi 2008). **The salient feature of the SEZ scheme are:**

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 import
3. Manufacturing or service activities allowed.
4. SEZ Unites to be positive net forgone exchange earners within three years.
5. Domestic sales subject to full custom duty and import policy in force.
6. Full freedom for sub-contracting
7. No routine examination by custom authorities of export /import cargo.

SEZ Act 2005- To instill confidence in investors and signal the government's commitment to as table SEZ policy region the special Economic zones Act 2005, was passed by parliament in May 2005. The SEZ Act 2005, support by SEZ Rules, came into effect on Feb 10, 2006 .The Main Objective of the SEZ Act are generation of additional economic activity, promotion of exports of goods and services, promotion of investment from domestic and foreign sources ,creation of employment opportunities and development of infrastructure facilities. An important feature of the Act is that it provides comprehensive policy in required to SEZ to satisfy the requirement of all principals stakeholders in an SEZ. It claims to provide expeditious and single window clearance mechanisms. The Act offers a highly attractive fiscal package which ensure (1) exemption from custom duties ,central excises duties, service tax, central sales tax etc. provision have been made for(i) the establishment of free trade and warehousing zones to create world

class trade related infrastructure facilitates import and export of goods making India a global trading hub. In this way SEZ are expressed to give a big push to exports, employment and investment.

Literature Gap: SEZ act led to large scale land acquisition by developers that too on prime agricultural land, thus displacing of farmers with merges compensation and no alternative livelihood for them. In several states, land acquisition for creating SEZs has been undertaken by the government by invoking the colonial land Acquisition Act of 1894. This created an opportunity for a number of companies to relocate inside the SEZ to take the advantage of tax concession being offered under this scheme. A large number of SEZs have concentrated in IT / ITES alone. According to PrathaMukhopadhyay ‘‘94 percent the SEZs are less than 3sq.km in size most of them in the IT sector.’’

The basic idea behind SEZ was to eliminate the crisis of foreign exchange in a developing country by promoting exports and collect the foreign exchange for the payment of import (particularly when their demand is relative inelastic). Since the whole world has become a global village after the policy of L+P+G (Liberalisation, privatisation and globalisation) developing countries have to develop their competitive strength . The theory of comparative cost of international trade propounded by Ricardo has become valid again.

Objective: this paper is mainly focused on two objectives:

1. To analyze the current status of SEZ scheme in India
2. To study the investment and employment relation.

Research Methodology

The main aim of research is to extend the frontier of knowledge. Research provides the cutting edge to technology which sustains industries and business. The goal of applied research is knowledge for the immediate and tangible benefit of men. A good research should generate a dependable data, obtained by professionally conducted practices, such that it can be reliable use for decision making. This paper is based on secondary data obtained from authentic and standard sources e.g blue prints produced by the Govt. and semi Govt. agencies along with published or unpublished work of researchers. Certain other agencies are also there to produce reliable information. On the bases of data proper obtained from secondary source, descriptive statistical tools have been used for analyses and interpretation.

Analysis and Discussion

In EPZ policy approval procedure was complex but in new policy procedure was simplified and get started single window clearance. After implementation of new SEZ policy government started to giving approval to the SEZ. Mostly the SEZ approved after 2000 and it was a joint venture of government and private developers. After implementation of new SEZ got approvals. Table shows the total approved SEZ

There are three different stage of approval.

1. Formal approval
2. Notified approval
3. In – Principal approval

Table of SEZ in India as on 14th Nov 2019

Type	No
Formal approval	417
Notified SEZ	349
In-principal approval	33
Operational SEZ	238
Units approval in SEZ	5168

The main objective of adoption of SEZ was to increase investment (either Indian investment or Foreign), employment, regional development and FDI also. If these indicators are increasing, we assume that economy is growing. If a SEZ unit does more investment to expand their products and services, they hire more employees and increase salaries or wages. All of the activities lead to economic growth. In a simple term we can say that investment has a direct impact relation with employment. It can be positive or negative relation. The ministry of commerce and industry data shows that the operational SEZ have provided employment to as many as 20 lakh people. Based on the past literature an illustration of the importance of employment opportunities investment including FDI most important factor increase employment.

Table No. 2 :- Investment of SEZ in India (Value in Crore)

Sr.	Years	Investment in SEZs
1	2005-6	3201.2
2	2006-7	4035.51
3	2007-8	56201.23

4	2008-9	856215
5	2009-10	148489
6	2010-11	202810
7	2011-12	201875
8	2012-13	238990
9	2013-14	236717
10	2014-15	288471
11	2015-16	376494
12	2016-17	406690
13	2017-18	474917372
14	2018-19	52163144
	As on 30th Sep 19	

Source: Department of commerce government of India.

(Various annual report)

Table No. 3

Year	Employment in person
2005-06	965242
2006 -07	134704
2007 -08	152320
2008 -09	425123
2009 -10	503611
2010 -11	676608
2011 -12	844916
2012 -13	1019146
2013 -14	1074904
2014 -15	1239845
2015 -16	1591381
2016 -17	1688337
2017 -18	1977216
2018 -19	2194472

Source: Department of commerce (SEZ Division)

The above table shows the investment in SEZ in India during the period from (2005-06) to 2018-19. The amount of total investment in India has increased from INR 3201.2 crore in 2005-06 to INR 52163144 Crore in 2018-19.

The above table 3 shows the employment generated in SEZs in India through the period from 2005-06 to 2018 – 19. The employment person in India increased from 965242 to person 2194472 in 2018-19.

The analyses of data and table shows that as the investment is increased the employment is also increased if we take an example of Keynesian Theory increases the investment it effect the employment and output of an economy. These above table shows that an increase in employment due to the increase in investment similarly we can say that a positive relation between the investment and employment. The main objective of SEZ was to increase the investment and employment infrastructure and regional development also if the employment is increasing the standard of living of people is also increasing. This is a sign of regional development. The investment and employment have a positive relation.

Conclusion:

Special Economic zones(SEZ)proved itself as a growth indicator of an economy. Through this paper an attempt was made to study. The current status of SEZ in India over a period. The number of notified, operational units are increasing. As we know if an investment is increased it directly or indirectly impact on employment, GDP, output, standard of living, purchasing power. Through this paper an attempt was made to examine the relationship between investment and employment. The study found that if the investment increased by the establishment of more SEZ it's directly increase the growth indicator (employment, PP, GDP). A positive impact on these growth indicators. The estimate reveals that 62% of SEZ are operational and have created 20 lakh jobs. Lastly if we conclude that more efforts are invested in SEZ it can be a wheel for India's growth engine. This means that the SEZ may have major impact on employment pattern in India.

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