



Impact of special economic zones on employment and industrialization in India

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Abstract

Special Economic Zones (SEZs) concept has evolved across the globe and developing countries have adopted this policy for setup of industrial zones that focus on exports and helps in generating economic opportunities and able to attract foreign direct investment. India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports with Asia's first EPZ setup in Kandla in 1965. With a view to overcome the shortcoming experienced on account of the multiplicity of controls and clearances; absence of world –class infrastructure, and unstable fiscal regime and with a view to attract larger foreign investment in India, the Special Economic Zones (SEZs) policy announced in April 2000. This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the center and state level, with the minimum possible regulation for economic development. The present study is an attempt to throw light on performance of SEZs in India and its achievement. SEZ is new technique for expansion of both industrialization and employment.

Keywords: Incentives, benefits, investment and employment, growth, present scenario

Introduction

India was one of the first in Asia to recognized the effectiveness of the export processing zone (EPZ) model in promoting exports, with Asia's first EPZ setup in Kandla, Gujarat in 1965 with a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world class infrastructure and an unstable fiscal regime and with a view to attract large foreign investments in India. Hence, the Special Economic Zones (SEZs) policy was announced in April 2000. This policy intend to make SEZs an engine for economic growth supported by quality infrastructure complicated by an attractive fiscal package, both at the centre and state level, with minimum possible regulations. SEZs in India functioned from Nov. 1, 2000 to Feb. 9, 2006 under the provisions of the foreign trade policy and fiscal incentives were made effective through the provisions of relevant status. The Special Economic Zones (SEZs) Act 2005 was passed by Parliament in May 2005. It is defined as a geographic region designated for economic development oriented towards boosting inward foreign direct investment and exports, and supported by special policy incentives by the Government.

Objectives

1. To examine creation of employment opportunities in India.
2. To evaluate promotion of investment for domestic and foreign sources.
3. To examine development of infrastructural facilities of Indian economy.

Review of literature

1. Agarwal Ardhana (2007): The author in this paper entitle "Impact of Special Economic Zones on Employment, Poverty and Human Development" has examined the impact of SEZs on human development and poverty reduction in India.

2. Aradhana Agarwal (2009): finds that the SEZs helped India in exporting certain new products. However, these could not induce technology – based dynamism. Patanker (2009) presented his study of struggle of people in Alibag, Raigad district, Maharashtra over the last two years. He argues that the scale of planned power projects substantially exceed the energy needs of the entire state of Maharashtra in the near future, and further that these projects will spell an ecological disaster.
3. Karima Omar and William A. Stoever (2008) point out the critical aspects of a successful export processing zones namely the nature of backward linkage and gradual integration in the rest of the host economy. They argue the successful export processing zones can be a catalyst for structural transformation of the wider economy.

Methodology

This study is both descriptive and analytical in nature. Importance inputs for the study were received from different Text books, Journals, Research Papers, News Papers, and various websites, personal experience and knowledge in the field also helped to make meaningful interpretation.

Analysis of the Study

Incentives and Facilities offered to the SEZs

The following incentives and facilities are providing to the SEZs:

- a. Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units.
- b. 100 percent Income Tax exemption on export income for SEZ for the 1st five years, 50 percent for the next 5 years thereafter and 50 percent of the ploughed back export profit for next five years.
- c. Exemption from minimum alternative tax under Income Tax Act

- d. External commercial borrowing by SEZ units up to US\$ 500 million in a year without any maturity restriction through recognized banking channels.
- e. Exemption from central sales tax.
- f. Exemption from service tax.
- g. Single window clearance for Central and State level approvals.
- h. Exemption from state sale tax and other levels as extended by the respective states Governments.

increase among total employment in SEZs was between 2006 and 2007-08 i.e. 149.61%. Besides this rise in employment among central Government SEZs and state and private SEZs (setup before 2006) was highest between 2006 and 2007-08.

There is 1.57% decline in employment of central Government SEZs mainly because of diversion of employee from Government SEZs towards notified SEZs as between said periods employment of notified SEZs increased with 86.88% growth rate. Again there is decline in number of employee in central Government SEZs and state and private SEZs, reason behind this type of decline were diversion of employee towards the notified SEZs.

Employment opportunities in SEZs

There are continuous growth in the overall employment opportunity in SEZs between 2006 and 2007. Highest

Table 1: Employment in SEZs in India (2006-2017)

SL No	Type of SEZs	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
1	C.G. SEZs	122.24 (90.75%)	193.47 (57.54%)	196.92 (50.83%)	193.83 (38.48%)	210.43 (31.10%)	213.85 (25.31%)	219.40 (20.41%)	218.54 (17.63%)	211.35 (15.65%)	241.05 (14.29%)	241.21 (14.29%)	234.86 (13.20%)
2	S/Pvt. SEZ	12.47 (9.25%)	44.77 (13.31%)	55.89 (14.43%)	58.19 (11.55%)	63.30 (9.80%)	79.02 (9.35%)	89.94 (8.37%)	77.96 (6.29%)	75.68 (5.61%)	76.28 (4.90%)	87.36 (5.17%)	95.97 (5.40%)
3	Notified SEZ	0.00	97.93 (29.15%)	134.63 (34.74%)	251.59 (49.95%)	400.14 (59.10%)	552.05 (65.34%)	765.57 (71.22%)	943.34 (74.08%)	1063.05 (78.74%)	1239.20 (79.61%)	1359.77 (80.54%)	1448.20 (81.40%)
4	Total	134.70% (100.00%)	336.24 (100.00%)	387.44 (100.00%)	503.61 (100.00%)	676.61 (100.00%)	844.92 (100.00%)	1074.90 (100.00%)	1239.85 (100.00%)	1350.07 (100.00%)	1556.54 (100.00%)	1688.34 (100.00%)	1778.85 (100.00%)

Source: Ministry of Commerce and Industries, 2017

Table 2: Employment growth in SEZs in India (2006-2017)

SL No.	Year	Central Government SEZs	State/Pvt. SEZs setup before 2006	SEZs notified under the act	Total
1	2006-07	58.28	259.06	NA	149.61
2	2007-08	1.78	24.84	37.47	15.23
3	2008-09	-1.57	4.12	86.88	29.98
4	2009-10	8.57	13.94	59.04	34.34
5	2010-11	1.62	19.18	37.96	24.88
6	2011-12	2.59	13.82	38.68	27.22
7	2012-13	0-0.39	-13.31	23.22	15.53
8	2013-14	-3.29	-2.93	12.69	8.89
9	2014-15	14.05	0.80	16.57	15.29
10	2015-16	0.07	14.52	9.73	8.47
11	2017	-2.63	9.86	6.49	5.36
12	Compound Annual Growth Rate (CAGR)	6.12	20.39	30.91	26.44

Source: Ministry of Commerce and Industries 2017

SEZs wise growth trend of employment shows the rapid rise in total employment between 2006-07 and 2007-08. After that there is increase in employment in SEZ but there is rapid fall in the growth rate of employment in SEZs from 149.6% to 15.23%. In case of notified SEZs employment increased with substantial rise in 2009-10. In 2012-13 and 2013-14 there is decline in employment in central

government, state government and private SEZs. Not only has this notified SEZs also experience decline in employment opportunity after 2012. Because after 2012 government change some policies related to SEZs like imposition of minimum alternate tax (MAT) and divided distribution tax (DDT) which after finally the performance of SEZs.

Table 3: Investment in SEZs in India (2006—17)

SL No.	Type of SEZs	2006	2007-8	2008-9	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
1	C.G SEZs	2279.2 (56.42%)	3899.49 (5.33%)	4871.08 (4.87%)	6896.95 (4.64%)	10452.59 (5.15%)	11486.41 (5.69%)	11919.72 (5.04%)	12898.66 (4.47%)	12282 (3%)	14869 (4%)	15894 (4%)	15974 (3.69%)
2	S/Pvt. SEZs	1756.31 (43.47%)	3960.44 (5.41%)	5533.98 (5.08%)	70069.1 (4.72%)	7716.31 (3.80%)	7637.61 (3.78%)	8749.7 (3.70%)	10209.94 (3.54%)	10694 (3%)	10962 (3%)	11780 (3%)	11478 (2.65%)
3	Notified SEZs	0	69349.57 (94.78%)	98498 (94.78%)	134494.76 (90.57%)	184640.64 (91.04%)	182750.74 (90.53%)	216047.2 (91.27%)	265368.38 (91.99%)	357308 (94%)	347623 (93%)	379016 (93%)	405690 (93.66%)
4	Total	4035.51	77209.5	108903.0 6	211460.81	202809.54	201874.76	236716.62	288476.93	380284	373454	406639. 67	433142

Source: Ministry of Commerce and Industries 2017

Table 4: Growth in Investment in SEZs in India (2006—2017)

SL No.	Year	Central Government SEZs	State/Private SEZs setup before 2006	SEZs notified Under the act	Total
1	2006-07	71.09	125.50	N.A	1813.25
2	2007-08	24.92	39.73	42.03	41.05
3	2008-09	41.59	1166.16	36.55	94.17
4	2009-10	51.55	- 88.99	37.28	-4.09
5	2010-11	9.89	-1.02	-1.02	-0.46
6	2011-12	3.77	14.56	18.22	17.26
7	2012-13	8.21	16.69	22.83	21.87
8	2013-14	-4.78	4.74	34.65	31.82
9	2014-15	21.06	2.51	-2.71	-2.71
10	2015-16	6.89	7.46	9.03	9.03
11	2016-17	0.50	-2.56	7.04	7.04
12	Compound Annual Rate	19	19	19.32	19.32

Sources: Ministry of Commerce and Industries, 2017.

Investment in SEZs in India

According to Bank Report 2008 it is less expensive task to establish private SEZs and their performance is also better than the other types of SEZs (World Bank 2008). As 30th June 2017, about 93.66% investment is made into the notified SEZs, where Central Government SEZs has only 3.69% and state/private SEZs has only 2.65% of total investment. Compound annual growth rate investment under SEZs is about 52.97% between 2006 and 2017, 19% CAGR in both the Central Government SEZs and state /private SEZs and 19.32% in notified SEZs.

SEZs status for North East States

The 6th year old North East industrial policy, launched with the aim of incentivizing economic activity in the backward region, has come a cropper. North East States have new approached the Prime Minister for a new industrial policy citing failure of the current policy to attract investments for the region.

Out of the total inflow to the North East, 50 percent of the investments have gone to Assam, 42 percent to Meghalaya and the remaining 8 percent to the rest of the states. The investments have come mainly in cement, metallurgy, and tea which leaves behind and scope for white collared jobs or the selling up of new industries.

Conclusion

To bring all relevant and identical industries to one place and facilitate to go for exports and imports, so that investment, and employment and economics can be generated. This is the experience of all developed countries and seven Tiger countries in Asia. In fact, state incentives are lesser than benefits gained by economy in long-term. Initially, states have to bring awareness to that areas, where industries are to be established. Centre and state have to acquire barren land as a prior than fertile irrigated land. Rehabilitation measures should be practiced so as to get continuous income to the land looser. A member of family by giving training is to be given an opportunity to get employment. Centre and state Governments have to give proper training to the opposition party members on it. Earlier, every will feel some apprehension latter it will go once fruits are reaching to bottom level poor and downtrodden. The capital and labor intensive industries may change and landscape of India. A strong political will be highly needed to overcome the woes.

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