

A REVIEW OF CURRENT PERFORMANCE OF SEZ IN INDIA WITH REFERENCE TO MAHINDRA AND JAIPUR SEZ

Chetangana Choudhary, Dr.Tapasya Julka

Research Scholar, Department of Business Administration, University of Rajasthan

BADM, S.S Jain Subodh P.G College, Jaipur

Abstract

A Special Economic Zone (SEZ) is a type of managed industrial cluster which focuses on exports and encourages foreign direct investment (FDI), employment. India have SEZ policy every since 2006 and have been in operation since then. Since then SEZ have been source of employment generation and export creation. SEZ are widely distributed in entire country. SEZ in India are not as successful as other country due to various government policies and infrastructure. Withdrawal of benefit like exemption from MAT and DDT in 2015 was a major challenge faced by the units in SEZ. Rajasthan have three operational SEZ (Jaipur SEZ phase I and II and Mahindra SEZ Jaipur). This paper analyses the SEZ performance in India and Rajasthan in terms of Investment, Exports, Employment and Sector wise distribution. The paper discuss about overall performance of the SEZ. The paper is based on secondary data from various government websites and publication. Secondary data is analyzed to see the performance of SEZ in India

Keywords: *SEZ in India, SEZ in Rajasthan, Export, Investment, Employment*

1. INTRODUCTION

The Special Economic Zone is a geographical boundary having more liberal economic laws than a country's typical economic laws SEZ are as source of full of capacity development having a motto of promoting economic growth with the use of various incentives either fiscal and business attracting foreign investment and technology. Special Economic Zones (SEZs) worldwide are considered as a source for trade enhancement, promoting investment, employment generation ,building infrastructure, promoting regional up gradation, increased foreign exchange earnings, enhanced export competitiveness and transfer of skills and technology. All these factors are considered as growth factors of any economy. Although the existence of SEZ are decades old, SEZ world-wide have attracted attention lately due to globalization of trade and financial markets. SEZ concept came with the urge of economic growth and now it is well recognized that the SEZs are helpful in developing local and regional infrastructure facilities, which in turn are necessary for overall economic development of a country.

The SEZ Scheme was introduced with an idea to provide a special area where traders can expertise in international trade, SEZ provide an attractive fiscal package both in central and state government level with little regulations to benefit the traders. SEZs scheme in India enhances human development, generate employment, and gives more excess to technology and help skill formation.

2. SPECIAL ECONOMIC ZONES IN INDIA

In India, the concept trading zones like the Export Processing Zone (EPZ) came into existence during the 1960s. It was the time when the first EPZ was set up in Gujarat. Later in 90's, six export processing zones were set up in different parts of the India. EPZ failed in India like in other developing countries like China, Taiwan, Singapore, etc. it was because there were no committed policy initiatives towards this scheme like other developing countries had (Aradhana Aggarwal (2012). Kandla EPZ (1965) was first converted into Special Economic Zone followed by six other central government EPZs during the year 2000.

The SEZ policy was announced in 2000 by the Government of India with an aim to come over the shortcomings of the EPZ scheme. The SEZ Act was formed to make Indian economy compatible with other global economies like China, UK, Japan, and USA. Since 2005 SEZ ACT there is a rise in the investors' who are interested in setting units in SEZs in India . Since the commencement of the SEZ Act 2006 a huge increase has been witnessed in the overall number of SEZs in the country . Tops in the list are the IT/ITES, then come the Pharmaceutical , gems and jewelery , chemical sectors. Till 2014 GOI gave formal approval to 491 SEZs, of which 352 were notified. As of December 2014, 199 SEZs started exporting, which includes 7 central government SEZs, 11 state government/private sector SEZs established prior to 2005 and 181 SEZs notified under SEZ Act 2005.

In the year 2015 major policy changes took place leading to denotification of lot SEZ across the country . Three factors which pulled back SEZ in India were :

- a) Imposition of MAT/DDT

- b) Absence of complementary infrastructure
c) Problems with the land acquisition

Several SEZs licenses were surrendered after imposing MAT and DDT. As on March 2017 total number of SEZ notified are 311 and total exporting SEZ are 210.

Table 1: State wise list of SEZ operating in India

STATE	FORMAL APPROVAL	NOTIFIED SEZ	Exporting SEZs (Central Govt. + State Govt./Pvt. SEZs + notified SEZs under the SEZ Act, 2005)
ANDRA PRADESH	30	24	19
CHANDIGHAR	2	2	2
CHATTISGARH	2	1	1
Delhi	2	0	0
Goa	7	3	0
Gujarat	28	24	19
Haryana	23	20	7
Jharkhand	1	1	0
Karnataka	65	42	25
Kerala	29	25	18
Madhya Pradesh	10	5	2
Maharashtra	54	48	26
Manipur	1	1	0
Nagaland	2	2	0
Orissa	7	5	3
Pondicherry	1	0	0
Punjab	5	3	2
RAJASTHAN	9	8	4
TAMIL NADU	48	46	36
TELANGANA	59	47	28
UTTAR PRADESH	24	19	11
WEST BENGAL	7	5	7
GRAND TOTAL	416	331	210

Source : RAJYA SABHA UNSTARRED QUESTION NO. 1439.(GOVERNMENT OF INDIA MINISTRY OF COMMERCE & INDUSTRY (DEPARTMENT OF COMMERCE))

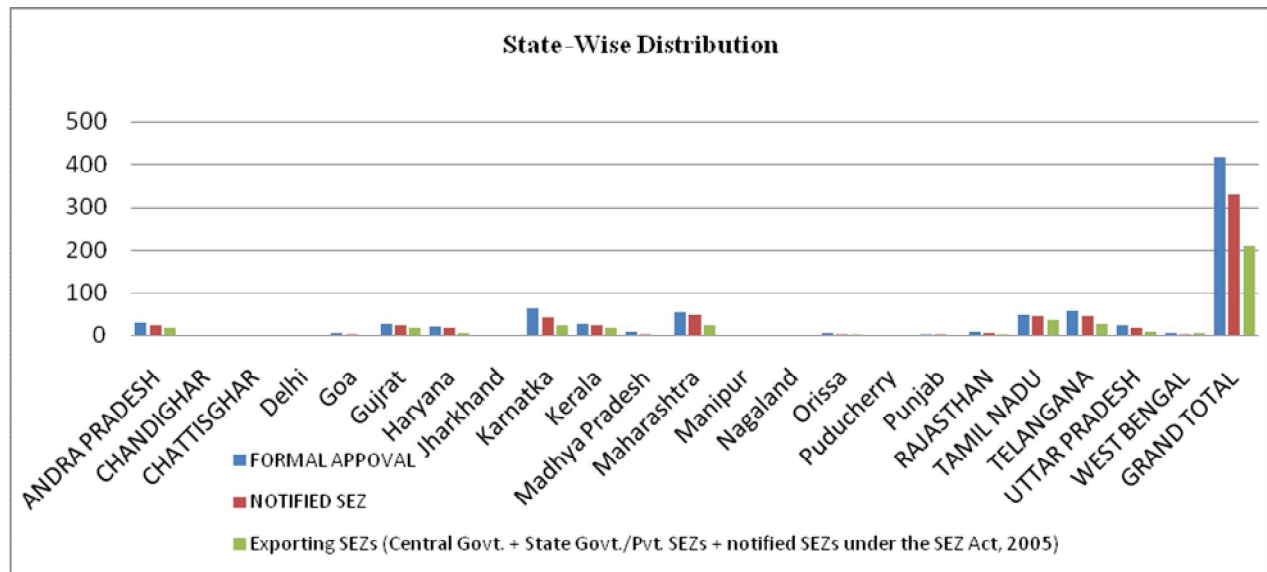


FIGURE 1: STATE WISE DISTRIBUTION OF SEZ

3. REVIEW OF LITERATURE

TK, A. R., & Arul, P. G. (2016). Studied the evolution and operation of SEZ in India. The author throws a light on the impact SEZs have on investment, export, employment. The recent government initiatives in terms of privileges, tax exemptions, rebates, policy initiatives to improve the performance of SEZ were also addressed in the research work. For the extensive analysis of this study, data were collected from the Ministry of Commerce and Industry, Ministry of Finance, Reserve Bank of India and from various websites and newspapers.

Sharma S.P, Taneja Rashmi, Munjal Apporva(2014). Studied the efficacy and issues of SEZ. This paper discusses about the expectations of exporters with regard to the formulation and modification of policies. Further, it is analyzed that operating in Domestic Tariff Area (DTA) has become more beneficial as compared to operating within SEZs especially after the imposition of exemption for Minimum Alternate Tax (MAT) and Dividend Distribution Tax (DDT) for the SEZs.

Chouhan Pushpa, Singh Shivdayal(2016). This research paper studies the overall performance of SEZ in Rajasthan in terms of investment, exports, employment generation. In this paper, an attempt is made to study the Present Status of Special Economic Zone (SEZ) in Rajasthan and the various aspects of SEZ policy, assess the development of SEZ in Rajasthan and various aspects of SEZ policy.

4. OBJECTIVES

- 1) To study the overall performance of the SEZs in India and in Rajasthan in terms of investments, employment and exports
- 2) To know the problems of SEZs in India.
- 3) Analyze the overall efficacy of the functioning and monitoring of SEZs in India and

5. RESEARCH METHODOLOGY

Research Design: The study is based on analytical and descriptive style.

Data Collection: In this research, secondary data is used that was collected from different sources. The relevant data was drawn largely from the government publications such as Reports on Trend and Progress of Special Economic Zone in India from SEZ India website, Report on Trend and Progress of total export of India after commencement of SEZ Policy from Ministry of Commerce and Industries and Reserve Bank of India. Other than these websites, magazines such as Business India, India Today, Business World, Business and Economic and various other websites were also referred.

6. STATE & PERFORMANCE OF SEZs WRT INDIA AND RAJASTHAN

6.1 SECTOR - WISE DISTRIBUTION OF SEZ

In India

In India IT/ITESs are most prominent sectors involved in the SEZ scheme this is due to skilled man force available in India . After IT/ ITESs come hardware and electronics, pharmaceuticals/chemicals, engineering, , multi-product, biotech, . These sectors account for more than 80% of the total formal approval granted so far. From the 71% formally approved SEZs are notified and almost 56% of them have started exporting and amongst these the major share goes to IT/ITES and Engineering. This is due to the growing availability of trained man force in India. Indian SEZ shows dominance of service sector and provides employment opportunities to skilled people than to unskilled. Some of the other prominent sectors in India include; Biotech, Textiles, Pharmacy, Engineering etc in addition to 21 formally approved multi-product SEZs

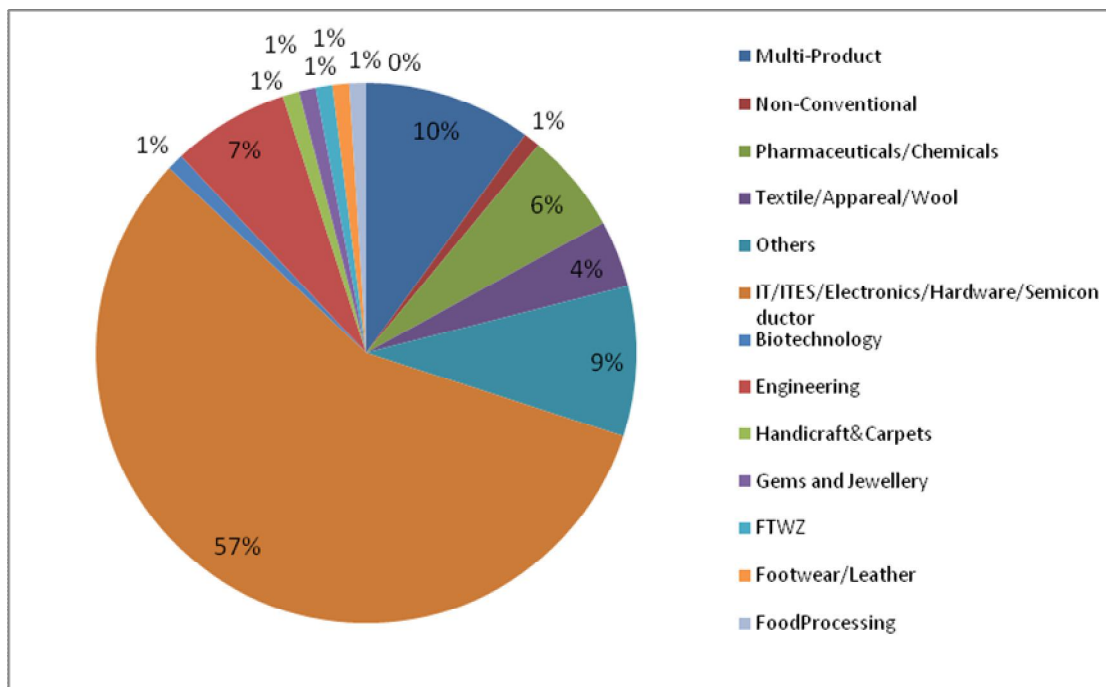


Figure 2 : Sector-wise Distribution of SEZs in India

In Rajasthan

Rajasthan export market has always been dominated by gems and jewellery and handicrafts. SEZ in Rajasthan follows the same trend, out of all the sectors notified and approved the Rajasthan SEZ shows more performance in the GEs and jewellery sector followed by the e IT/ITES and followed by the handicrafts .other than these other sectors include textile ,building material and multi service .

Table-2: Sector-Wise Distributions of SEZs in Rajasthan

SECTOR	Notified and Formal approval	Notified	In-principle
Gems and jewellery	2	1	0
Handicraft	0	1	0
Textile	0	1	0
IT/ITES/Hardware/semiconductor	0	1	10
Multi service	0	1	3
building material	0	0	0
Textile	0	0	0

Source: Ministry of Commerce and Industry, SEZ Section, RIICO.

6.2 EMPLOYMENT GENERATION IN SEZ

In India

When the exports from SEZs increased almost 22 times in between 2005-06 and 2013-14, employment in SEZs increased only ten-fold during this period – from 135,000 in 2005-06 to 1,283,000 in 2013-14. It further increased to 1,504,597 in 2014-15. This could be due to lack of trained man power and also this shows the lack in training facilities for skilled and semi skilled workforce. The direct employment from SEZ in India is around 16,88,337 persons and the incremental employment after the ACT came into force is of 15,53,633 persons.

In the FY 2009 Incremental employment has witnessed increasing growth rate of 25% which follows a trend till 2011 which is 47%. The incremental growth rate depicts a decreasing trend to 32% in FY2013. This was due to market dynamics which led to de-notification of number of SEZs

Table 3 : Employment generation in SEZ

YEAR	INCREMENTAL EMPLOYMENT	GROWTH %	CUMULATIVE EMPLOYMENT	GROWTH %
FY 2008	201531		336235	
FY 2009	252735	25.41	387439	15.23
FY 2010	368907	45.97	503611	29.98
FY 2011	541904	46.89	676608	34.35
FY 2012	710212	31.06	844916	24.88
FY 2013	940200	32.38	1074904	27.22
FY 2014	1105141	17.54	1239845	15.34

Source: Various Annual Reports, Department of Commerce, Ministry of Commerce and Industry, Government of India.

Table 4: Incremental and Total employment in Year as on 31st March, 2017

EMPLOYMENT	Employment (As on February, 2006)	Incremental Employment	Total Employment (As on 31st March, 2017)
Central Government SEZs	1,22,236 persons	1,15,659 persons	2,37,895 persons
State/Pvt. SEZs set up before 2006	12,468 persons	82,914 persons	95,382 persons
SEZs Notified under the Act		13,98,364 persons	13,98,364 persons
Total	1,34,704 persons	15,96,937 persons	17,31,641 persons

Source: www.sezindia.nic.in

In Rajasthan

Due to its rich heritage of art and culture the people in Rajasthan are trained with craft man ship . This was the prime reason behind setting up of gems and jewellery and handicraft SEZ in Rajasthan . In Rajasthan the number of semi skilled/skilled man power is more . The total number of directly employed persons in the SEZ up to march 2015 was 11600. The indirect employment generated by Jaipur SEZ was 2877. This shows an increase of 18,873 employees by direct employment , and 21,072 by indirect employment .

Table 5 : Employment generation in SEZ Rajasthan Till march 31st 2017

S. No.	Name of the Zone	Indirect Employment	Direct Employment
1	Jaipur SEZ	1906	11087
2	Mahindra World City (Jaipur) Ltd.	15610	6244
3	Mahindra World City (Jaipur) Ltd.	2408	963
4	Mahindra World City (Jaipur) Ltd.	1448	579

6.3 INVESTMENT IN SEZ

In India

The main feature of SEZs in India is 100% FDI through automatic route in almost all sectors. Since the commencement of SEZ Act 2005 the investment across all the sectors has seen a huge splurge . As of March 2017 the SEZs have attracted an investment of Rs. 4,23,189 crores The table shows a overall increment in the investment from Rs. 4,035.51 crores as on February, 2006 to Rs. 4,23,189 crores as on March, 2017. A total increase by 103.87 percent. The contribution of newly notified SEZs as of march 2017 in overall investment of SEZs in the country comes around 93% . Within a short span of time of 10 years SEZ reported a drastic growth. The recent policy measures taken by the Government of India takes off some benefits(like MAT/DDT) available to SEZs thereby reduce the attractiveness of the scheme.

Table 6: Investment In SEZ In India

INVESTMENT	Investment (As on February, 2006)	Incremental Investment	Total Investment (As on 31st March, 2017)
Central Government SEZs	Rs.2,279.20 cr.	Rs.14,521.01 cr.	Rs.16,800.21 cr
State/Pvt. SEZs set up before 2006	Rs.1,756.31 cr	Rs.9,360.76 cr.	Rs.11,117.07 cr.
SEZs Notified under the Act		Rs.3,95,271.26 cr.	Rs.3,95,271.26 cr.
TOTAL	Rs.4,035.51 cr.	Rs.4,19,153 cr.	Rs.4,23,189 cr.

Source: www.sezindia.nic.in

In Rajasthan

The SEZ in Rajasthan attracted Rs2626 crores of investment from formally approved SEZs of Rajasthan. The highest investment is done in Mahindra SEZ of Rs. 2377 crores which is in the IT/ITES sector . The lowest Investment was Rs. 91 crores in Gems & jewelry SEZ Phase-I of Rajasthan. There is wide variation of investment among zones. Large amount of investment was attracted by Mahindra World City SEZ of Rs 827.10 crores and minimum amount was attracted by Gems & Jewellery SEZ-II of Rs.124.91 crores in the year 2014-15.

Table 7: Investment details as on march 2017

S. No.	Name of the Zone	Investment made (excl. FDI) (Rs. Crores)		FDI investment Made		Total Investment
		By Developer	By Unit	By Developer	By Unit	
1	Jaipur SEZ	25.88	248.36	0.00	1.85	276.09

2	Mahindra World City (Jaipur) Ltd.	248.09	573.61	0.00	5.40	827.10
3	Mahindra World City (Jaipur) Ltd.	123.46	110.90	0.00	0.00	234.36
4	Mahindra World City (Jaipur) Ltd.	114.26	84.90	0.00	0.00	199.16

Source: www.nSEZ.com

6.4 EXPORT PERFORMANCE

In India

Special Economic Zones Primarily aim at developing export potentials of the country through export oriented individual complexes or industrial agglomerates. The special economic zones in India were established with a view to bring expertise for the country's exports sector. The export performance of SEZs shows a major increase since the SEZ Act 2005 (Deepak Shah 2009)

But for the last few years it has been showing lesser growth of export due to the withdrawal of benefits available to SEZs such as exemption on MAT and DDT. From 2005-06 to 2014-15 the average annual growth of export is 225.24 percent cent. Whereas the average annual growth rate of India's export for the same period is only 46.18 percent. This shows that performance of units from SEZ is better than that of units outside the SEZs in terms of export growth. SEZs in India contribute around 25 percent of India's overall foreign trade from the year 2009-10 till date. Though exports shows a growth in SEZ, in India exports remain to be fluctuating over the period of time. Exports from SEZs have witnessed a significant rise of around 22 times from Rs. 22000 crores in 2005-2006 to Rs. 5.23 lakh crores in March, 2017.

Table 8: Export performance of SEZs in India

S.no	Year	Export	Growth	Import	Growth	Trade balance
1	2006-07	571,779	25.28	840,506	27.27	-268,727
2	2007-08	655,864	14.71	1,012,312	20.44	-356,448
3	2008-09	840,755	28.19	1,374,436	35.77	-533,680
4	2009-10	845,534	0.57	1,363,736	0.78	-518,202
5	2010-11	1,136,964	34.47	1,683,467	23.45	-546,503
6	2011-12	1,465,959	28.94	2,345,463	39.32	-879,504
7	2012-13	1,634,318	11.48	2,669,162	13.8	-1,034,844
8	2013-14	1,905,011	16.56	2,715,434	1.73	-810,423
9	2014-15	1,896,348	-0.45	2,737,087	0.8	-840,738
10	2015-2016 (Provisional)	1,716,378	-9.49	2,490,298	-9.02	-773,920
11	April-October 2015-16	998,212		1,501,291		-503,079
12	April-October 2016-17 (P)	1,039,797	4.17	1,396,352	-6.99	-356,554

Source: Annual Report 2014-15, Department of Commerce, Ministry of Commerce and Industry, Government of India, Handbook of Statistics on Indian Economy, Reserve Bank of India.

In Rajasthan

The gems and jewellery shows highest export 1231.96 crore from Jaipur sez, second comes the IT/ITES contributing 958.10. The annual growth rate of export over the previous years has been fluctuating due to policy changes but the units in SEZ are performing better in comparison to the exporters outside SEZ.

Table 9: Export Performance of SEZ in Rajasthan 31st march 2017

S. No.	Name of the Zone	Type	Total Export (Rs. In crores)
1	Jaipur SEZ	Gems and Jewellery	1231.96
2	Mahindra World City (Jaipur) Ltd.	IT/ITES	958.10
3	Mahindra World City (Jaipur) Ltd.	Engineering and related industries	185.12
4	Mahindra World City (Jaipur) Ltd.	Handicraft	91.88

7. FINDINGS**Investment**

Total investment made in SEZ through all source was Rs.4,23,189 cr.(31st march 2017). From Feb. 2006 to March 2017 there is 103.48 percent increase in the investment. Initiatives like “Make in India” “Skill India” have had a positive impact on the investment and employment generation in India. The export performance is in declining trend for the last few months because of the lack of confidence from the part of investors due to imposition of DDT, MAT and proposal to withdraw direct tax benefit from the year April 2017.

Sez in Rajasthan have attracted 156.41 cr investments in the year march 2017. The “Rajasthan Enterprises Single Window Enabling and Clearance Act, 2011” has been introduced in the state with the objective to provide time bound grant of various licenses, permissions and approvals to the investment proposals which makes investment in Rajasthan a interesting factor

Employment

Since the SEZs are spread all over the country it provides a better opportunity to the semi-skilled and unskilled to get jobs in nearby SEZs. The employment generated by the newly notified SEZs contribute to almost 78% of total employment generated till June 2014, indicating that these SEZs have contributed significantly in overall investment and employment generation compared to SEZs established prior to SEZ Act 2005.

The direct employment from the SEZ up to march 2015 was 11600. The indirect employment generated by Jaipur SEZ was 2877. Registering an increase of 18,873 employees by direct employment , and 21,072 by indirect employment . The Gem & Jewellery Sector was providing maximum employment to 8618 which is 49.86% of total workers and minimum employment was provided by handicrafts sector i.e. 417 which is 2.41% of total workers.

Exports

The export performance is in declining trend for the last few months because of the lack of confidence from the part of investors due to imposition of DDT, MAT and proposal to withdraw direct tax benefit from the year April 2017. Also implementation of GST has made it difficult for the exporters to understand and inculcate new system into the process .

The gems and jewellery shows highest export 1231.96 crore from Jaipur sez , second comes the IT/ITES contributing 958.10. The annual growth rate of export grown over the previous years has been fluctuating. The Gems and Jewellery export have seen a declining trend in the year 2010-11 due to rising completion in the industry.

Problem faced by exporters

SEZs in India are facing some problems like

- Small in size in terms of area covered
- Inadequate infrastructure like road, rail ,single window clearance etc
- Restrictive policies related to moving of goods and services in and out the SEZ
- Lengthy procedures
- Location disadvantages

8. CONCLUSION

SEZ is essential is and an important factor for the growth of export, financial development , employment increase, .The SEZs provides a huge investment and employment potentials. India has been a major destination for foreign investors apart from the domestic private corporate bodies. India sees a surge in the investment activities during last 60 years of planning and has created employment opportunities mainly for the skilled manpower. Like software engineer. With few hassles SEZ comes out with the benefits like creation of foreign exchange, employment and investment which favors the existence of sez in India.

Rajasthan has well developed infrastructure to support SEZ. This is why sez in Rajasthan attracts huge investment and create good opportunity for employment. The new incentives by government like make in India skill India and digital India directly or indirectly support the SEZ policy.

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AUTHOR



Dr. Tapasya Julka Malhotra is a versatile academican with over 13 years of creditable experience in scholastic deliverance, research supervision and academic administration. Presently working as Associate Professor, Department of Business Administration, S.S. Jain Subodh P.G. College, Jaipur. Fortified with a rich scholastic milieu including PhD, MBA, M.Com, MHRM, MCA, PGDMM in first class as her academic credentials, she has been associated with various reputed academic institutions and university set-up catering predominantly in Management and Business Administration domain.



Chetangana Choudhary a research scholar with four year of teaching experience . A BBA graduate who later on pursued Maters in International Business from university of Rajasthan . To add on to her qualification she cleared her CBSE NET exam in Management in 2016. To enrich her knowledge and profile she have attended seminars and work shops. Right now pursuing her Doctorate on SEZfrom University of Rajasthan.