

Export Performance of Special Economic zones in India: A Study of Post SEZ Act

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ABSTRACT: Since the SEZ policy was announced in 2000, there has been continuous improvement in the export performance. The Special Economic Zone scheme was also upgraded through a revision in the Export-Import Policy of 1997-2002 and the Special Economic Zones Act was passed in 2005. However, it was the enactment of the SEZ Act that provided a major push to the SEZs' export performance and the SEZ policy for the increased exports. Export growth is necessary to offset the deterioration in the balance of payments. Through the establishment of Special Economic Zones, export oriented units (EOUs) and export is increasing considerably. Through the remarkable success of China in the use of Special Economic Zones to promote exports and attract vast amounts of FDI, there was much hope that India could do so. Hence, to promote the export oriented units, the government of India offered a package of incentives which includes tax concessions such as 100 percent accelerated depreciation, tax holidays for export oriented units and power generation projects, soft loans, customs and excise duty reliefs, liberalized foreign investment procedures, etc.,. The present paper analyses the Role of Special Economic Zones in Exports and Imports in India. Based on the available secondary sources of data it examines the exports of different SEZs and their contribution to Indian exports. The paper also attempts to discuss the growth of exports through SEZs in the import substituting regime.

Key Terms: Exports, Imports, Export oriented units, Special Economic Zones

Introduction: Most developing countries like India across the world have recognized the importance of facilitating international trade for the sustained growth of the economy and increased contribution to the GDP of the nation. As a part of its continuing commitment to liberalization and to trigger larger flow of foreign and domestic investment for the generation of additional economic activity and creation of employment opportunities, government of India started promoting SEZs. India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports.

Special Economic Zones in India

Asia's first EPZ set up in Kandla in 1965. EPZ's could not prove their efficacy in Indian economy and so could not attract larger foreign investments. Therefore, due to the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime, the Special Economic Zones (SEZs) Policy was announced in April 2000. The policy intended to make SEZs an engine for economic growth supported by attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations. SEZs in India functioned from 1.11.2000 to 09.02.2006 under the provisions of the Foreign Trade Policy.

The Special Economic Zones Act, 2005, was passed by Parliament in May, 2005. After extensive consultations, the SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February, 2006, providing for drastic simplification of procedures and for single window clearance on matters relating to central as well as state governments. The main objectives 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;
- Development of infrastructure facilities;

The Special Economic Zones Act, 2005 was developed to overcome the shortcomings of existing statutes governing the SEZ's in India and to simplify the procedures for development, operation, and maintenance of the Special Economic Zones and for setting up units and conducting business in SEZs.

The SEZ Rules provide for:

- Simplified procedures
- Single window clearance for setting up of an SEZ;
- Single window clearance for setting up a unit in a Special Economic Zone;
- Single Window clearance on matters relating to Central as well as State Governments;
- Simplified compliance procedures and documentation with an emphasis on self

Objectives of the Study

The overall objective of the Study is to analyse the role of Special Economic Zone in the export and import trade in India and specific objectives under taken are;

- To examine the export performance of SEZs in India
- To analyse the contribution of SEZs to Indian exports
- To analyse the exports of different SEZs in India

Scope of the Study

The paper has undertaken Special Economic Zones in Indian as study area to assess the export-Import trade. It covers different SEZs in India and their role in increasing exports. The study covers a period of exports or imports from 2005-06 to 2017-18. As the study is based on the available secondary data few data are collected till 2015-16.

Methodology Used

As the study is analytical in nature, secondary data has been employed. The basic data are derived from the records of Ministry of Commerce (GOI), articles in journals, books and websites. The study considered the post SEZ Act 2005 era of India. To make the study more meaningful and appropriate percentage growth rate analysis is attempted in this study.

Operational SEZs of India

The Central Government has set up seven SEZs prior to the enactment of SEZs Act, 2005.

Sl. No	Name of the SEZ	Location	Type of SEZ
1.	Kandla Special Economic Zone Kandla	Gujarat Multi product	Kandla Special Economic Zone Kandla
2.	SEEPZ Special Economic Zone Mumbai	Maharashtra Electronics and Gems and Jewellery	SEEPZ Special Economic Zone Mumbai
3.	Noida Special Economic Zone Uttar Pradesh Multi product	Uttar Pradesh	Multi Product
4.	MEPZ Special Economic Zone Chennai	Chennai, Tamil Nadu	Multi product
5.	Cochin Special Economic Zone Cochin	Cochin, Kerala	Multi Product
6.	Falta Special Economic Zone	Falta, West Bengal	Multi Product
7.	Visakhapatnam SEZ	Vishakhapatnam, Andra Pradesh	Multi Product

Source : sezindia.nic.in

State Government / Private Sector SEZs set up prior to the enactment of SEZs Act, 2005 are:

Sl. No	Name of the SEZ	Location	Type of SEZ
1.	Surat Special Economic Zone Surat	Gujarat Multi product	Multi product
2.	Manikanchan SEZ	W. Bengal Kolkatta	Gems and Jewellery
3.	Jaipur SEZ Jaipur	Rajasthan	Gems and Jewellery
4.	Indore SEZ Sector	3, Pithampur Distt. Dhar (MP)	Multi product
5.	Salt Lake Electronic City -WIPRO, West Bengal	Kolkatta, West Bengal	Software development and

			ITES
6.	Mahindra City SEZ (IT)	T. Nadu Tamil Nadu	IT/Hardware & Bio-informatics
7.	Mahindra City SEZ (Auto ancillary)	T. Nadu Tamil Nadu	Auto
8.	Mahindra City SEZ (Textiles)	Tamil Nadu Tamil Nadu	Apparel & fashion accessories
9.	Nokia SEZ Sriperumbudur	Tamil Nadu	Telecom equipments/R&D Services
10.	Moradabad SEZ Moradabad	UP	Handicrafts
11.	Surat Apparel Park Surat	Gujarat	Apparel

Source : sezindia.nic.in

There are 205 operational SEZs in India as on 21.03.2018, out of which Andhra Pradesh has 18 SEZs operating, Chandigarh two, Chhattisgarh one, Gujarat 16, Harayana 6, Kerala 18, Karnataka 28, Maharashtra 28, Madhya Pradesh three, Odisha four, Punjab three, Rajasthan one, Tamil Nadu 33 covering maximum SEZs in India, Telangana 30, Uttar Pradesh 10, West Bengal being the oldest has four operational SEZs in India. The total operational SEZs consist of 122 SEZs in IT/ITES, 17 Multi product and rest 66 are sector specified SEZs covering more than half of the export from India.

Export Performances in Special Economic Zone

Exports from the operational SEZs during the last twelve years and current year are as under:

Years	Exports		Growth over previous year (INR)
	(Value in Rs. Crores)	(Billion USD)	
2005-2006	22,840	5.08	-
2006-2007	34,615	7.69	52%
2007-2008	66,638	14.81	93%
2008-2009	99,689	21.71	50%
2009-2010	2,20,711	46.54	121.40%
2010-2011	3,15,868	69.30	43.11%
2011-2012	3,64,478	76.01	15.39%
2012-2013	4,76,159	87.45	31%
2013-2014	4,94,077	81.67	4%
2014-2015	4,63,770	75.84	-6.13%
2015-2016	4,67,337	71.38	0.77%

2016-2017	5,23,637	78.07	12.05%
2017-2018	2,66,773 (as on 30.09.2017)	41.44	13.39%

Source: Report from export Promotion Council for SEZs and EOU Units, and sezindia.nic.in

SEZs of India have a major contribution to total exports. There are 373 notified SEZs in India including 7 Central Government and 11 State/Private SEZs and 205 operational SEZs. SEZs of India are free from all duties and taxes. Under the GST regime the supplies/exports from SEZs are zero rated and no duty is levied from such supplies except Domestic Tariff area supplies, which has not got any concession from tax. The goods/ services supplied from SEZs are meant only for exports, and DTA supply may be related to any scrap or byproducts. The exports of SEZs post SEZ Act period shows an increase trend in subsequent years. During 2008-09 and 2009-10 when the whole world was under the reeling under effect of recession, Indian SEZs had an increasing rate of growth of 50% and 121% respectively. Except 2014-15 exports which shows a minus figure of 6.13% of exports compared to previous year there is an increasing trend in physical exports of SEZs. From 2015-16 till current period SEZ exports shows a drastic improvement in its exports to 13.39%.

A COMPARATIVE ANALYSIS OF SEZ EXPORTS AND INDIA'S EXPORTS

Table : SEZs Exports and India's Total Exports: A Comparative analysis

Year	SEZ Units		SEZs Growth in %	India's Exports		SEZs Share in India's Exports
	Rs. In Crore	US \$ Million		Rs. in Crore	US \$ Million	
2005-06	22840	5159	22.43	456417	103091	5
2006-07	34787	7629	52.31	571779	126263	6
2007-08	66638	16560	91.56	655863	163132	10
2008-09	99689	21675	49.60	840755	182631	12
2009-10	220711	46521	121.40	845533	178751	26
2010-11	315868	65806	43.11	1136964	237122	28
2011-12	364478	68769	15.39	1465959	276596	25
2012-13	476159	87546	30.64	1634318	300485	29
2013-14	494077	82209	3.76	1905011	316975	26
2014-15	463770	73229	-6.13	1896348	299432	24
2015-16	467337	70809	0.77	1714617	259790	27
2016-17	523637	80760	0.12	1841314	290742	28

Source: Report from export Promotion Council for SEZs and EOU Units, and sezindia.nic.in

Exports of SEZs rose much faster than from the domestic tariff area. The performance of SEZs has been reasonably good despite some criticism. There are 5,146 SEZ units exporting goods and services in India. The physical exports from the SEZs have a drastic increased by 121 per cent to 2, 20,711 crore in 2009- 10 for total merchandise exports of the country for the same period. The total contribution of SEZs exports to Indian exports are in an increasing trend and the share of SEZs exports in Indian exports are above 25% from past eight years. The post SEZ Act period shows a good improvement in exports to total share in Indian exports and there is a consistency of SEZs share in exports during subsequent priods. The share of SEZs in India's total exports has increased consistently from 5 per cent in 2005-06 to 28 per cent in 2016-17 amounting to Rs 523637 Crore, and exports of SEZs during 2017-18 as on March 31st, 2018 is Rs. 5,81,033 Crore.

State-wise breakup of Exports from SEZs during 2013-14 to 2015-16

Sl. No.	State	2013-14 (Rs. In Crore)	2014-15 (Rs. In Crore)	2015-16 (Rs. In Crore) (Till December 2015)
1.	Andhra Pradesh	33291	7887.61	7599.06
2.	Odisha	386.09	596.66	752.03
3.	Punjab	136.72	290.79	235.34
4.	Rajasthan	2036.59	2091.33	1649.17
5.	Tamil Nadu	71417	68103.63	55478.96
6.	Telangana	0	37107.89	32966.19
7.	Uttar Pradesh	16282.42	16516.77	13754.51
8.	West Bengal	16204.27	9872.79	8550.41
9.	Chandigarh	1778.15	2084.24	1896.38
10.	Chhattisgarh	1.84	3.19	0

Source: Ministry of Commerce & Industry

The above table shows the exports at disaggregate level and export contributions from different states in India. The major portion of exports is contributed by Tamil Nadu in all the three years, and Telangana after its incorporation stands at the second level, followed by Uttarpradesh and West Bengal. Andra Pradesh, Rajasthan and Chandigarh are also a good contributors of SEZ exports in India.

The SEZs are also major contributors to Indian Investment and Employment. A total investment of Rs. 4,74,917.37 Cr. is made from SEZs in India and a total of 19,77,216 persons employment is generated in SEZs as on 31st March, 2018. SEZs contribute around 25 percent to India's total Exports, Investment and Employment. But there is still need for an improvement in exports from SEZs being a major export hub in India and availing all the benefits for exports including subsidies, incentives and tax breaks.

Recommendations:

If India has to achieve a substantial share in world exports, a big push will be needed. This can be done provided the exports of SEZs and EOUs are increased. The EOUs must increase export competitiveness by speeding up export growth at least in this post recession period.

Through establishment of SEZs all over India and establishing more number of export oriented units export growth can be achieved.

Nearly 40 percent of the export by SEZ is through trade in Services. A more conducive environment for trade in services can be created by liberalizing FDI in services which can help in growth and export of services.

The Government should include the development of SEZs in its Five –year plan.

The government should proactively develop SEZs and arrange for requisite infrastructure needed for the development of SEZs. Importance must be given for the development of SEZs in states which lagging behind compared to other states.

There has been sectoral specialization of zones like; Cochin tends to specialize in electronics, Falta in textiles, Kandla in Pharmaceuticals and Vizag in gems and jewellery units. Noida is also specializing in gems and jewellery while Chennai has electronics, engineering and textile units. More emphasis must be given for the development of specialized sector by the government to increase exports.

Conclusion:

The aggregate contribution of SEZ to the total exports of the country from its inception till date is in an increasing trend. As the exports had steadily grown from 2005-06 to 2016-17, the zone is found to be moving on health grounds. The net foreign exchange of the SEZ is increased considerably when compared to pre SEZ Act era. If the concept SEZ was not adopted the country would have missed the opportunity for increasing exports and for earning valuable foreign exchange and reducing balance of payment.

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