4.1.0. History and Evolution

India’s economy had emerged drained and underdeveloped at the time of Independence. Under Jawaharlal Nehru’s leadership the country adopted the prevailing policy idiom of the day – import substitution, allied with heavy industry under state guidance. As resources were scarce and private industry did not have the ability to invest in core sectors like steel, power and irrigation, even the share of India’s global exports fell, consequently there was downward pressure on terms-of-trade. Finally, the shortages, which were entailed by the diversion of investments away from consumption goods, inevitably led to the beginnings of inflationary tendencies.

The above situation led to the beginnings of a policy re-think and a stress on small industry and exports. The latter being the key attributes of the Third Five Year Plan of the sixties, they yielded a concrete forward step in the shape of the Export Processing Zone. However, the difficulty was EPZs, which were very strictly isolated from the domestic tariff area (DTA). Accordingly, there was no let up – either in rent-seeking behaviour within the economy, or any lessening of inefficient (wasteful) import substitution. These traits were not only a hurdle in the way of trade; they also wasted scarce capital by misallocating investment (thanks to the licence Raj) within the economy. Worse, the licence permit Raj also excluded competitive imports and turn India into an unfriendly foreign investment destination.

Although India had experienced hazard start of EPZs, The concept had been internationally well accepted right from the start. Even at that time, they were a global phenomenon evident in Spain, Ireland and Malaysia. The ASEAN countries were some of the first to utilize EPZs to increase exports and relax foreign exchange constraints, trade liberalization, taxes and other policies, which were then applied to the economy as a whole.
4.2.0 Export processing zones – beginnings and expansion

Phase I: 1965—1985

The first change occurred at the end of the 1970s, when India suddenly found her unable to match either the value, or volume, of her exports with the much higher value of imports that was occasioned by the second oil price shock. The government therefore decided to boost exports and set up India, first Asian economy to set up an EPZ – at Kandla in 1965, followed in 1973 by the Santacruz Electronics Export Processing Zone (SEEPZ). Four more EPZs in 1984 – in Noida (UP), Falta (W Bengal), Cochin (Kerala) and Chennai (Tamil Nadu). The Visakhapatnam EPZ (Andhra Pradesh) was also established in 1989, but became operational only in 1994. Barring Chennai, the EPZs in all other locations were situated in industrially backward regions.

It defined EPZs as being meant for earning foreign exchange, developing export-oriented industries, stimulating investment and generating employment – apart from which they were also set up to create an internationally competitive environment for export production at low cost. Subsequent policy documents have reiterated the low-cost export production motif with some drawbacks such as there was no single window facility within such zones, and entrepreneurs had to acquire individual clearances from various State government and Central departments. Day-to-day operations were subject to rigorous controls, examples being customs procedures for bonding, bank guarantees, and the movement of goods. FDI policy was very restrictive too. Even the Zone Authorities enjoyed very limited powers. That put India at the bottom of the international ranking on business environment indices, something that even occasioned various government-appointed committees to review the working of EPZs.

Phase II: fusion 1991-2000

Investigations strongly suggest that EPZs lost momentum in the 1990s following the collapse of the major Eastern Bloc markets that used to absorb 87 per cent of their exports. That slowdown persisted until the mid-90s, and only since then has there been an upturn. In 1991, a massive dose of liberalization was administered to the Indian economy. In this context, wide-ranging measures were initiated by the government for revamping
and restructuring EPZs also. This phase was thus marked by progressive liberalization of policy provisions and relaxation in the severity of controls and simplification of procedures. The focus had been on delegating powers to zone authorities, providing additional fiscal incentives, simplifying policy provisions and providing greater facilities. The scope and coverage of the EPZ/EOU scheme was enlarged in 1992 by permitting units in the agriculture, horticulture and aquaculture sectors. In 1994, trading, re-engineering and re-conditioning units were also permitted to be set up.

Later it is China that has emerged as the ablest practitioner of the SEZ policy. That seems to prove right the hypothesis that zones that are well defined geographically, and restricted, are the ones which are best suited for export processing – i.e., for value-addition based on very high import content. That electronics and gems & jewellery should turn out to be the most successful Indian EPZ exports seems to bear out this conclusion.

**Phase III: Re-Emergence 2000-Onwards**

This period has witnessed a major shift in direction, thrust and approach. The EXIM Policy (1997-2002) has introduced a new scheme from 1 April, 2000 for the establishment of Special Economic Zones (SEZs) in different parts of the country. The Draft SEZ Bill (2004) also held that the “promotion of foreign trade in goods and services” is the most important of all SEZ objectives. The Centre fielded this Bill after it took the step of replacing the old EPZ scheme by SEZs and later by passing SEZ bill 2005.

The SEZ is an almost self-contained area with high-class infrastructure for commercial as well as residential inhabitation. SEZs are permitted to be set up in the public, private, joint sectors or by the State governments with a minimum size of not less than 1000 hectares. The number of incentives both fiscal and non-fiscal has also been extended to the units operating in SEZs. Several measures have been adopted to improve the quality of governance of the zones. These include relaxation in the conditions for the approval process and simplifying customs rules. More recently, Development Commissioners are given the labour commissioner’s powers. SEZ policy is thus the most
significant thrust towards ensuring the success of export processing zones. From 1 November 2000 the Export Processing Zones at Kandla, Santa Cruz (Mumbai), Cochin and Surat were converted into SEZs. In 2003, other existing EPZs namely, Noida, Falta, Chennai, Vizag were also converted into SEZs. In addition, approval was also given for the setting up of 26 SEZs in various parts of the country in the private/JT sectors or by the State. They include SEZs at Nanguneri (Tamil Nadu), Positra (Gujarat), Kulpi (West Bengal), Para deep (Orissa), Bhadohi and Kanpur (Uttar Pradesh), Kakinada (Andhra Pradesh), Dronagiri (Maharashtra) and Indore (Madhya Pradesh). Besides, Santacruz EPZ was also extended in terms of size by adding 11 acres. Later it is China that has emerged as the ablest practitioner of the SEZ policy. That seems to prove right the hypothesis that zones that are well defined geographically, and restricted, are the ones which are best suited for export processing – i.e., for value-addition based on very high import content.

4.2.1. SEZs – empirically founded dreams

The transition from EPZs to SEZs was crucial because of one single characteristic: EPZs had been created and conceived as enclaves within the larger DTA, but had no real dealings with them; nor did the rules governing them make them the happy hunting ground for domestic industry that sought to re-locate their activities in order to place them beyond the reach of domestic customs, excise and other laws. The beginnings of the changeover were seen with the FTP of 2002-07,"

The policy comprised a fiscal package along with certain entitlements and concessions. The latter included CST exemption for supplies from the DTA to SEZs, duty drawbacks for DTA suppliers ‘exporting’ to SEZs; the exemption of DTA supplies to SEZs from the Income Tax and Customs Acts – and SEZ access to external commercial borrowing. They were also allowed to make overseas investments and undertake commodity hedging. In addition, international banks would be allowed to set up branches within SEZs, but be kept free of India-based commercial banking obligations like the CRR and SLR. SEZ units would be able to get finance at international borrowing rates from the branches of such banks.
Earlier on, all EPZs were set up by the Central government, with infrastructure being funded by State governments. In SEZs, on the other hand, one gives private developers, direct tax benefits for a block of ten years and they can also avail of indirect tax benefits through customs duties waivers and other benefits. Similarly, units set up in these zones could also avail of both direct and indirect tax concessions with single window clearances. Exports of products to the DTA would be subject to normal customs and other duties.

In this context state SEZ development has also shown the disparities. The present study focused on the economy and industrialisation of Madhya Pradesh. Madhya Pradesh is mainly agrarian; it is also characterized as one of the industrially backward states. According to Annual MSME report that total investment in 2011-12 in the industries were 1365432.48 were as Madhya Pradesh SEZ has shown only 273196 lakh rs for the total investment. Apart from the industrial backwardness, the state also suffered from alarming nature of inter-regional disparities in level of industrial development. Most of the SEZ have been established in major cities where as there is an urgent needs to develop the interiors of Madhya Pradesh. Madhya Pradesh and its selection were primarily done because researcher preferred to assess the growth performance of Madhya Pradesh in the context of ongoing SEZ policy.

4.3.0 Fundamentals of Special Economic Zone (SEZs)

Special Economic Zone means an area that has been specified as an enclave that is duty free and is treated as a foreign territory for various purposes such as tariffs, trade operations and duties. It is a geographical region that has economic laws that are more liberal than a country's typical economic laws. It is a trade capacity development too, with the goal to promote rapid economic growth by using tax and business incentives to attract foreign investment.

Special economic zone is a generic term that covers recent variants of the traditional commercial zones such as free trade zones, export processing zones, industrial parks, free ports, enterprise zones, and others. According to the World Bank, Special Economic Zones (SEZs) includes several specific characteristics:
➢ It is a geographically delimited area, usually physically secured;

➢ It has a single management or administration;

➢ It offers benefits based on physical location within the zone; and

➢ It has a separate customs area (duty free benefits) and streamlined procedures.

In addition, an SEZ normally operates under more liberal economic laws than those typically prevailing in the country. SEZs confer two main types of benefit, direct economic benefits such as employment generation and foreign exchange earnings; and the more elusive indirect economic benefits like skill upgradation, technology transfer, export diversification, enhancing trade efficiencies of domestic firms and testing field for economic reforms.

The SEZ policy was first introduced in India in April 2000, as a part of the EXIM policy of India. This policy was announced 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 larger foreign investments in India. To provide a stable economic environment for the promotion of export-import of goods in a quick, efficient and hassle-free manner, Government of India enacted the SEZ Act, which received the assent of the President of India on June 23, 2005.

The SEZ Act and the SEZ Rules, 2006 (“SEZ Rules”) were notified on February 10, 2006. The SEZ Act is expected to give a big thrust to exports and consequently to the Foreign Direct Investment (FDI) inflows into India, and is considered to be one of the finest pieces of legislation that may well represent the future of the industrial or economic development strategy in India. The new law is aimed at encouraging public-private partnership to develop world-class infrastructure and attract private investment, boosting economic growth, exports and employment.

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;

Altogether, a total of 19 SEZs were established prior to the promulgation of the SEZ Act, which were later – in 2005 – legally deemed as SEZs under the new Act. More than 500 SEZs have obtained either formal or “in principle” approval till the year 2012. Units may be set up in SEZs for manufacturing goods and rendering services. All the import/export operations of the SEZ units are on a self-certification basis. Sales by SEZ units in the domestic tariff area are subject to payment of full custom duty and to the import policy in force. Furthermore offshore banking units may be set up in the SEZs.

**The SEZ Rules provide for:**

- Simplified procedures for development, operation, and maintenance of the Special Economic Zones and for setting up units and conducting business in SEZs;
- 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 certification

**4.3.1 Incentives and facilities offered to the SEZs**

The incentives and facilities offered to the units in SEZs for attracting investments into the SEZs, including foreign investment include:-
• Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units

• 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.

• Exemption from minimum alternate tax under section 115JB of the Income Tax Act.

• External commercial borrowing by SEZ units upto US $ 500 million in a year without any maturity restriction through recognized banking channels.

• Exemption from Central Sales Tax.

• Exemption from Service Tax.

• Single window clearance for Central and State level approvals.

• Exemption from State sales tax and other levies as extended by the respective State Governments.

The major incentives and facilities available to SEZ developers include:-

• Exemption from customs/excise duties for development of SEZs for authorized operations approved by the BOA.

• Income Tax exemption on income derived from the business of development of the SEZ in a block of 10 years in 15 years under Section 80-IAB of the Income Tax Act.

• Exemption from minimum alternate tax under Section 115 JB of the Income Tax Act.

• Exemption from dividend distribution tax under Section 115O of the Income Tax Act.

• Exemption from Central Sales Tax (CST).

• Exemption from Service Tax (Section 7, 26 and Second Schedule of the SEZ Act).
4.3.2  Legal framework

For a long time, the foreign economic policy was formulated in Para 7.1 of the Foreign Trade Policy, according to which (1) SEZs are duty-free enclaves within the territory of India, and where (2) goods and services going into an SEZ from a domestic tariff area (DTA) shall be treated as exports, while goods coming from the SEZ area into the DTA shall be treated as if these are imported; and (3) the SEZs may be set up for the manufacture of goods or rendering of services. Since the SEZ Act of 2005 was put into force, these policies have been outlined there. As the Indian government wanted to give a significant thrust to its professed investor-friendly policy, the government enacted the SEZ Act, 2005, which became operative in February 2006 together with the SEZ Rules. The state governments followed suit and also enacted their own SEZ laws to mainly cover state subjects. The SEZ legal framework intends to provide a comprehensive tool to satisfy the requirements of all principal stakeholders in the SEZ: the developer and operator, occupying enterprises, external SEZ suppliers and residents. Furthermore, the SEZ Act is advertised by the Indian government as a single window clearance mechanism in which the responsibility for promoting and ensuring the orderly development of the SEZ is assigned to the Board of Approval (BoA).

4.3.3.  Administrative set up

The developer submits the proposal for establishment of SEZ to the concerned State Government. The State Government has to forward the proposal with its recommendation within 45 days from the date of receipt of such proposal to the Board of Approval. The applicant also has the option to submit the proposal directly to the Board of Approval.

The Board of Approval was constituted by the Central Government in exercise of the powers conferred under the SEZ Act. All the decisions are taken in the Board of Approval by consensus. The Board of Approval has 19 members (sec. 8 SEZ Act). It comprises various joint secretaries and other officials from several ministries, such as the Ministries of Commerce, Economy, Science and Technology, Home Affairs, defense,
Environment, Law, Overseas Affairs, Urban Development and Finance as well as that of a nominee of the state government concerned, a professor at the Indian Institute of Management or the Indian Institute of Foreign Trade. Thus, this Central Government institution is the major authority for applications and approvals regarding the establishment of SEZs.

The functioning of the SEZs is governed by a three tier administrative set up. The Board of Approval is the apex body and is headed by the Secretary, Department of Commerce. The Approval Committee at the Zone level deals with approval of units in the SEZs and other related issues. Each Zone is headed by a Development Commissioner, who is ex-officio chairperson of the Approval Committee.

Once an SEZ has been approved by the Board of Approval and Central Government has notified the area of the SEZ, units are allowed to be set up in the SEZ. All the proposals for setting up of units in the SEZ are approved at the Zone level by the Approval Committee consisting of Development Commissioner, Customs Authorities and representatives of State Government. All post approval clearances including grant of importer-exporter code number, change in the name of the company or implementing agency; broad banding diversification, etc. are given at the Zone level by the Development Commissioner. The performance of the SEZ units is periodically monitored by the Approval Committee and units are liable for penal action under the provision of Foreign Trade (Development and Regulation) Act, in case of violation of the conditions of the approval.

The developer, which may be the (Central and state) government itself, a private developer or a joint venture in which both parties are involved, is entitled to set up an SEZ after identifying the proposed area. The procedure for setting up a zone like this may vary according to the nature of the developer. The private developer submits his proposal for establishment of an SEZ to the state government concerned (sec. 3 para. 2 SEZ Act).

Notwithstanding, the private developer may also approach the BOA directly (sec. 3 para. 3 SEZ Act) and thereafter get the concurrence of the state government concerned. The state government has to get its proposal screened directly by the BOA according to
sec. 3 para (4) SEZ act. After consulting the respective state government, however, the Central Government may set up and notify the SEZ *suo motu* (sec. 3 para. 4 SEZ Act). The state government has to forward the private developer’s proposal to the BOA within 45 days of the date of receipt along with its recommendation (sec. 4 para. 1 SEZ Rules).

The BOA then has the power of approving or rejecting the proposal or modifying such proposals for the establishment of SEZs. In the event of approval, the BOA communicates the same to the Central Government, which, in turn, grants formal approval to the developer (sec. 3 para. 10 SEZ Act) through a Letter of Approval (LOA) within 30 days of receiving the communication from the BOA. The LOA is valid for a period of three years, during which the developer must take all necessary steps to ensure implementation of the approved proposal.

The powers also include the decision-taking regarding authorised operations to be carried out in the SEZ by the developer as well as granting approval to the developers or units in the SEZ for foreign collaboration, foreign direct investment and regarding infrastructure facilities (sec. 9 para. 2 SEZ Act). The proposal paths are visualized in pictograph 4.1 and 4.2:
Pictograph 4.1: Approval mechanism for the establishment of an SEZ for a private developer

Pictograph 4.2: Approval mechanism for the establishment of an SEZ for the Central and state government as a developer.
4.3.4. Making the SEZ operate

How to Apply

Any individual, co-operative society, company or partnership firm can file an application for setting up of Special Economic Zone. The application is to be made in Form-A to the concerned State Government and the Board of Approval (BOA) in the Department of Commerce, Government of India. However the application would be considered by the BOA only when the State Government recommendation is received. The following table provides an analysis of the amendments introduced by SEZ (Amendment) Rules, 2013, effective from August 12, 2013.

Table 4.3: Comparison of recent and earlier land allotment for SEZ

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Earlier Position</th>
<th>Revised Position</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in minimum land area requirement for setting up of multiproduct and sector specific SEZs</td>
<td>• Multi product – 1000 hectares</td>
<td>• Multi product – 500 hectares</td>
<td>In view of acute difficulties being faced by the developers in aggregating large tracts of uncultivable land for setting up SEZs, which is vacant and contiguous, it has been decided to reduce the minimum land area requirement by half for multiproduct and sector specific SEZs.</td>
</tr>
<tr>
<td></td>
<td>• Sector specific SEZ – 100 hectares</td>
<td>• Sector specific SEZ – 50 hectares or more.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provided that for each contiguous 50 hectare land in a SEZ, or which is added to the SEZ, an additional sector may be allowed.</td>
<td></td>
</tr>
<tr>
<td>Minimum Minimum land</td>
<td>• For IT/ ITES SEZ</td>
<td>IT Exports constitute</td>
<td></td>
</tr>
</tbody>
</table>
land requirement for IT/ITES sector

area requirement of 10 hectares + Minimum built-up area requirement of 100,000 sq. mtrs.

in 7 cities - (Mumbai, Delhi (NCR), Chennai, Hyderabad, Bengaluru, Pune and Kolkata) - Minimum built-up area requirement of 100,000 sq. mtrs.

- For other Category 'B' cities – Minimum built-up area requirement of 50,000 sq. mtrs.

- For remaining cities – Minimum built-up area requirement of 25,000 sq. mtrs.

a significant part of India's exports and IT/ITES SEZs have a major contribution in it. Exports from IT/ITES SEZs during financial year 2012-13 have exceeded INR 1.40 lakh crore registering a growth of over 70% over the previous year's exports.

To specifically address the issues to boost growth of this important sector and to give a fillip to employment and growth in Tier-II and Tier-III cities, the present requirement of 10 hectares of minimum land area is being done away with. Accordingly, there would be no minimum land area requirement for setting up an IT/ITES SEZ. Only the minimum built up area criteria would be required to be met by
| Broad banding of a sector specific SEZ on the basis of Graded scale for minimum land criteria | No such provision. | The concept of Graded Scale for minimum land criteria introduced, which would permit a SEZ an additional sector for each contiguous 50 hectare parcel of land. |
| To provide greater flexibility in utilizing land tracts falling between 50 to 450 hectares, it has been decided to introduce a Graded Scale for Minimum Land Criteria which would permit a SEZ an additional sector for each contiguous 50 hectare parcel of land. This proposal will enable more efficient use of the infrastructure facilities created in such an SEZ. |

| Sectoral broad banding (within the same sector) | Sector specific SEZ generally are not allowed to setup additional units in similar/related areas under the same sector unless specifically mentioned in the | Setting-up additional units in similar/related areas under the same sector in a sector specific SEZ has been allowed. Accordingly, various categories comprising their respective products or services, similar or compatible with each |
| To provide flexibility to setup additional units in a sector specific SEZ is being provided by introducing Sectoral broad banding to encompass similar/related areas under the same sector. |
| Criteria for 'vacant land' | For vacancy of land, the earlier policy allowed the parcels of land with preexisting structures not in commercial use to be considered as vacant land for the purpose of notifying an SEZ. | The amendment permits preexisting structures (even though in commercial use) to be considered as 'vacant land' for the purpose of notifying an SEZ. Further, the additions to such pre-existing structures and activities being undertaken after notification would be eligible for duty benefits similar to any other activity in the SEZ. | Additions to such pre-existing structures and activities being undertaken after notification would be eligible for duty benefits similar to any other activity in the SEZ. This amendment is likely to provide relief to those developers, who had pre-existing structure (for commercial use) on the proposed SEZ land and they were in a dilemma whether to demolish such structures for the purpose of fulfilling 'vacant land' and |
| Exit route | Under the SEZ framework, Rule 74 of the SEZ Rules 2006 provided for exit of unit, subject to payment of applicable duties on the imported or indigenous capital goods, raw materials, components, consumables, spares and finished goods in stock. Further, if the SEZ unit didn’t achieve positive net foreign exchange, the exit shall be subject to penalty that may be imposed under the Foreign Trade (Development Transfer of ownership of SEZ units, (including sale) permitted subject to fulfilment of prescribed conditions. New Rule 74A has been inserted to the SEZ Rules, 2006. This amendment seeks to facilitate easier exit by a SEZ unit, by way of the transfer of ownership/sale subject to fulfilment of prescribed conditions notification of the SEZ. |
Once the BOA gives formal approval and the concerned Development Commissioner gives an inspection report certifying the contiguity and vacancy of the area, the area is notified as SEZ.

Once approval for setting up an SEZ is obtained, the developer has to get the SEZ going. First of all, notification of the SEZ is essential for this, after which approval for authorised operations could be sought. Later, separate units – the actual life filling entities of the SEZ – can be applied for.

Table 4.4: approval for authorised Notification

<table>
<thead>
<tr>
<th>Step No</th>
<th>Details</th>
<th>Remarks</th>
</tr>
</thead>
</table>
| 1       | Land acquisition process has to be completed by the developer | Land should be vacant and contiguous with no encumbrances or public thoroughfare  
• Land may be freehold or leasehold  
• If leasehold, the period of lease has to be for a minimum of 20 years |
| 2       | Submission of landholding details to the Central Government (sec. 7 SEZ Rules) | The exact particulars of the land in question need to be submitted along with proof of legal ownership. A certificate from the state government is required to show that the land is unencumbered  
• In case of any additional terms in the LoA, |
<table>
<thead>
<tr>
<th>Step No</th>
<th>Details</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>the acceptance of the same needs to be shown</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Notification of the identified area as an SEZ (sec. 8 SEZ Rules)</td>
<td>Central Government will issue notification identifying a specific area as an SEZ. This will be published in the <em>Official Gazette</em> and will contain all the details of the land which has been identified as an SEZ</td>
</tr>
<tr>
<td>4</td>
<td>Central Government appoints the Development Commissioner and notifies the Approval Committee</td>
<td>Has to be done within a period of six months from the date of establishment of the SEZ</td>
</tr>
<tr>
<td>5</td>
<td>Work of the Development Commissioner</td>
<td>The Development Commissioner demarcates the areas within the SEZ as processing and non-processing zones</td>
</tr>
</tbody>
</table>

Having the Letter of Approval or the notified and demarcated SEZ area does not mean that operations in the SEZ can commence yet, though. In fact, two more approvals are required, as can be seen from Tables 4.5 and 4.6-
### Table 4.5: Procedure for a Grant of Approval for authorised operations in an SEZ

<table>
<thead>
<tr>
<th>Step No</th>
<th>Details</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Submission to the BOA of the details of the operations proposed in the SEZ by the developer (sec. 9 SEZ Rules)</td>
<td>Fiscal concessions only available on the basis of the authorised operations after the grant of approval</td>
</tr>
<tr>
<td>2</td>
<td>Authorisation by the BOA (sec. 9 SEZ Rules)</td>
<td>The BOA may authorise the developer to undertake any operations that the Central Government may authorise</td>
</tr>
<tr>
<td>3</td>
<td>Application to the Approval Committee (sec. 10 and 12 SEZ Rules)</td>
<td>Developer to make a list of the items/goods and services which will be required to carry on the authorised operations in the SEZ and to seek permission from the Approval Committee for the procurement of the same. The Approval Committee will approve the import or procurement of the goods/services from the DTA for the authorised operations</td>
</tr>
<tr>
<td>4</td>
<td>Steps to be taken thereafter by the developer (sec. 22 SEZ Rules)</td>
<td>• Developer undertakes the various steps required to commence authorised operations such as execution of a Bond and Legal Undertaking regarding adherence to SEZ laws</td>
</tr>
</tbody>
</table>
Table 4.6: Procedure for setting up a unit in an SEZ

<table>
<thead>
<tr>
<th>Step No</th>
<th>Details</th>
<th>Remarks</th>
</tr>
</thead>
</table>
| 1       | Proposal for setting up a unit in an SEZ made to the Development Commissioner (sec. 17 para. 1 SEZ Rules) | The proposal has to be submitted to the Development Commissioner  
• Existing units from former EPZs, etc. shall be deemed to have been set up in accordance with the provisions of the SEZ Act and will not require any fresh approval |
| 2       | The Development commissioner forwards the proposal to the Approval Committee (sec. 17 para. 2 SEZ Rules) | On receipt of the proposal, the Development Commissioner shall submit the same to the Approval Committee for its approval |
| 3       | The Development Commissioner forwards the proposal to the Board of Approval (sec. 17 para. 3 SEZ Rules) | industrial undertakings to be established as a whole or in part in an SEZ  
4 Approval by the Approval Committee (sec. 18 SEZ Rules)  
• The Approval Committee may either approve the proposal with or without any modification subject to such terms and conditions as it may deem fit to impose, or reject the proposal  
• In case of modification or rejection, the person concerned must be given reasonable opportunity to be heard, after which the proposal will be modified or finally rejected |
| 4       | Approval by the Approval Committee (sec. 18 SEZ Rules) | The Approval Committee may either approve the proposal with or without any modification subject to such terms and conditions as it may deem fit to impose, or reject the proposal  
• In case of modification or rejection, the person concerned must be given reasonable opportunity to be heard, after which the |
### Table 4.7: Unit Approval Process

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>The entities eligible to set up SEZ units may be classified into four categories</td>
<td>– New units</td>
</tr>
<tr>
<td>For manufacture of goods For provision of services Carrying on the activities of trading and warehousing</td>
<td>– Existing units</td>
</tr>
<tr>
<td>Any Unit which has been set up on or has been functioning in any existing SEZ before the commencement of this SEZ Act, 2005</td>
<td>– Offshore Banking units</td>
</tr>
<tr>
<td>A branch of a bank located in a SEZ and which has obtained necessary permission from the RBI</td>
<td>-Central Government may also permit the setting up and operation of one International Financial Services Centre in a SEZ</td>
</tr>
</tbody>
</table>

The aforementioned outlines give an overview of the Special Economic Zones and introduce the approval and administrative procedures with regard to the setting up and functioning of an SEZ.
Pictograph: 4.8 Approaches to SEZ Developer

Approach to SEZ Developer

Information Flow on SEZ & related aspects for generating interest

Discussion/Briefing session

Furnishing the Application Form

Meeting & understanding Pricing aspect, terms & conditions etc.

Information Flow on SEZ & related aspects for generating interest

Advance payment towards booking of the plot

Obtaining the Earmarking letter from the developer

Preparing the proposal to be submitted to DC

Submit proposal to the Development Commissioner with a copy to the Developer in Form - F along with the Earmarking Letter

Development Commissioner to Scrutinize the proposal

Proposal put up to Approval Committee for consideration. Decision within 15 days

Certain proposals put up to the Board of Approval. Decision within 45 days (ref: sec. 9)

Approval Committee Requirements:
1. Positive net foreign exchange earning
2. Availability of space and other infrastructure
3. Support thru provisional offer by the Developer
4. Environmental and pollution control norms are fulfilled
5. Submission of proof of residence.
6. Submission of Income tax returns or audited balance sheet for the last three years, as the case may be
Proposal put up to Approval Committee for consideration. Decision within 15 days

Certain proposals put up to the Board of Approval. Decision within 45 days (ref: sec. 9)

The Letter of approval (LOA):
1. Specifies items of Manufacture, projected annual export, etc.
2. Entrepreneur should hold LOA to start unit in SEZ.
3. Processing area should be demarcated
4. Authorized activities should commence within one year from issue of LOA. Extension available for a period not exceeding two years for valid reasons.
5. Construed as a license and valid for five years from date of start of authorized operations.
6. Extension available for further five years by the DC.

Proposal Approved

Proposal Approved with Modifications

Proposal Rejected

Modifications acceptable to Entrepreneur

Modifications not acceptable to Entrepreneur

Modifications acceptable to Entrepreneur

Proposal not acceptable

Approval Committee record reason for rejection or modification of the proposal

Proposal acceptable

Letter of Approval issued by Development Commissioner in Form G

Lease Agreement between the developer & Entrepreneur (Form-H)

Furnish Copy of Registered Lease to the DC
4.3.5. Terms & conditions for setting up of SEZ

- Only units approved under SEZ scheme would be permitted to be located in SEZ.
- The SEZ units shall abide by local laws, rules, regulations or bye-laws in regard to area planning, sewerage disposal, pollution control and the like. They shall also comply with industrial and labour laws as may be locally applicable.
- Such SEZ shall make security arrangements to fulfil all the requirements of the laws, rules and procedures applicable to such SEZ.
- The SEZ should have a minimum area of 1000 hectares and at least 25% of the area is to be earmarked for developing industrial area for setting up of units.
- Minimum area of 1000 hectares will not be applicable to product specific and port/airport based SEZs.
- Wherever the SEZs are landlocked, an Inland Container Depot (ICD) will be an integral part of SEZs.
- Detailed guidelines on setting up of SEZ in the Private/Joint/State Sector is given in Appendix 14-II.N of Handbook of Procedures Volume I.

Role of State Government

State Governments will have a very important role to play in the establishment of SEZ. Representative of the State Government, who is a member of the Inter-Ministerial Committee on private SEZ, is consulted while considering the proposal. Before recommending any proposals to the Ministry of Commerce & Industry (Department of Commerce), the States must satisfy themselves that they are in a position to supply basic inputs like water, electricity, etc.

4.3.6. Units eligible in SEZ / SOME IMPORTANT PROVISIONS RELATING TO SEZ UNIT

- Single window clearance - Consolidated application to the UAC in Form F
- Unit can undertake service activities apart from manufacturing activities. Under FTP, units were allowed to undertake only notified services and even the tax benefit was allowed only on services notified – which were typically computer related
IT/ITES services. Services are defined exhaustively under Rule 76. Corporate-tax benefits are also now allowed on profit from export of all such services.

- Branch of a foreign company can undertake manufacturing activities in accordance with the provisions of without prior approval of the RBI [Rule 19(7)]
- Job work for overseas principal allowed. [Rule 18(6)]
- No minimum export commitment on Units
- Units only to be net foreign exchange earner at the end of 5 year period and every 5 years thereafter [Rule 52 & 53]
- Validity of lease of land/facility by unit from developer to be for a minimum of 5 years [Rule 11(5)]
- Net foreign exchange earnings (rule 52 & 53)- To sustain existence in the SEZ, units have only one obligation to achieve i.e. to be net foreign exchange (NFE) earner. This requirement is only for the unit and not developer. NFE is calculated cumulatively for a period of 5 years from the date of commencement of manufacture or provision of services. NFE is calculated as per the following formula:

  **Positive Net Foreign Exchange = A – B >**

  **Where:** A: is Free on Board value of Exports and permitted DTA sales

  B: is the sum total of Cost Insurance Freight value of imported inputs (RM, intermediates, components, consumables, parts etc.) and the CIF value of all imported capital goods and the value of all payments made in foreign exchange by way of export commission, royalty, fees, dividends, interest on external commercial borrowings during the first five years Value of goods procured from another SEZ or EOU or EHTP or STP unit or from bonded warehouse etc.

  Pro-rata CIF value of capital goods, imported duty free or leased from a leasing company, received free of cost and or on loan basis or on transfer for the period they remain with the unit.
4.3.7. Special Economic Zones Act, 2005 and SEZ Rules, 2006 and its amendments

A comprehensive Special Economic Zones Act, 2005, was passed by Parliament in May, 2005 and received Presidential assent on the 23rd of June, 2005. The SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February, 2006, providing simplification of procedures and single window clearance on matters relating to Central and State governments. SEZ Act 2005 has three defining features firstly it outlines the process of setting of SEZ in Chapter II and III, secondly it deals with the functioning of SEZ and thirdly it outlines the benefits enjoyed by the developers and functioning units of SEZs.

The following important amendments have been made to the SEZ Rules, 2006:

- Prescribing minimum built up area for Bio-technology and Gem & Jewellery Sectors;
- Prescribing minimum processing area for Free Trade Warehousing Zone (FTWZ);
- Inclusion of specific provisions regarding grant of in-principle approval and its extension;
- Providing for a lease period of not less than five years as against the earlier provision Annual Report 2011-12 of lease period being co-terminus with the validity of Letter of Approval;
- Stipulating the Upper limit of the area required for multi product SEZs at 5000 hectares, with the State Governments having the option to prescribe a lower limit;
- Revising the minimum processing area uniformly at 50% for multi-product SEZs as well as sector specific SEZs;
- Type of land to be mentioned in the application form of SEZ;
- Reimbursement of duty in lieu of drawback for supply of goods to SEZ developers against Indian rupees;
- Term “vacant land” defined for the purpose of SEZs;
- Clubbing of contiguous existing notified Special Economic Zones notwithstanding that the total area of resultant Special Economic Zones exceeds 5000 hectares
- A number of other amendments to delegate powers and to simplify the procedure;
➢ SEZ Authority Rules, 2009 have been made for the smooth functioning of zones and SEZ Authority has been set up accordingly.

➢ Routing proposal for setting up of SEZ through Development Commissioner, to facilitate developers and for better administrative efficiency.

➢ Including all the existing legislation/rules for generation, transmission and distribution of power. Prescribing a time limit of 10 years for constructing the minimum built up area prescribed under Rule 5.

➢ Adding a new provision that once SEZ is notified and becomes operational, the validity of Letter of Approval will continue as long as the SEZ remains notified.

➢ Prescribing various forms and procedure for smooth functioning.

➢ Making it mandatory to all the developers and units to use the online system for better monitoring as also better facilitation in respect of the users.

➢ Classifying Cities of the country

➢ Promoting IT/ITES SEZs in smaller cities of the country

➢ Allowing setting up of FTWZs without any minimum area requirement in the existing SEZs.

➢ Paving way for import of prohibited items by a unit in a Special Economic Zone or Developer of the Special Economic Zone from a place outside India to the Special Economic Zone with prior approval of the Board of Approval.

➢ Amending Annexure-II of Special Economic Zone Rules, 2006 to substitute the term “Apparel” mentioned is column (3) against Serial Number 3 of the Annexure by the words “Textiles and Articles of Textiles”.

➢ Enabling Board of Approval to extend validity of Letter of Permission of unit beyond 4th year

➢ Making validity of Letter of Approval of a co-developer of SEZ co-terminus with that of the developer.

Special provision for SEZ Madhya Pradesh Industrialisation

➢ Declaration of Zone to be Industrial Township Area

➢ Notwithstanding anything contained in the Madhya Pradesh Municipalities Act 1961 or Madhya Pradesh Municipal Corporation Act, 1956 –(i) The Special
Economic Zone may be notified as an Urban Area; (ii) The Governor may, having regard to the size of the area and

- Municipal services being provided or proposed to be provided in the Zone, by the Developer, by notification, specify the zone to be an industrial township; (iii) The State Government may appoint an Authority for the zone vested with such powers and functions, as may be prescribed.

- Exemption from state taxes, duties, cess and levies-fees, cess or any other levies under any State law namely;
  - Any goods exported out of or imported into the Zone;
  - Inter Unit transactions of goods within the Zone;
  - Goods from the Zone sent for value addition to the

- Domestic tariff area and returned to the Zone thereafter; and services that provide value addition to a product within the Zone. All transactions and transfers of immovable property or documents.

4.3.8. SEZ: Advantages Especially for Entrepreneurs

- **Flexible licensing policies**: A SEZ offers leniency and flexibility in the licensing policy from the side of the government. In most of the SEZ already existing, it has been observed that the office of the licensing authorities already stations in the area of SEZ, making it more accessible, convenient and prompt.

- **Easy to start a business**: Flexible licensing policy along with sufficient amount of consideration in the time consumption of starting a business enables the promoters of a business to start their working in a very small duration. In SEZ, the government motivational programmes make registering and formation of businesses very quick and convenient.

- **Ease of Doing Business**: The Flexibility of the government with respect to policies, rules and regulations offers appropriate amount of liberty to the businesses to operate and function. In SEZ, many Laws specially related to Industry, Labour, and Ecology are exempted. This will motivate people to work and grow which is otherwise not possible in rest part of the country where SEZ is not present.
Ease of getting credit and Development of Financial Markets: The establishment of SEZ also creates opportunities for the Banks and other Financial Institutes to open-up their facilities in the SEZ area. The establishment of these financial Institutes boosts up the financial market for that area by making the schemes available and accessible to all the businesses of that area. Many a times, government also intervenes in the schemes of these institutes and asks them to create some special schemes which can target the requirement of businesses in SEZ. If Government can establish specialized financial institutes which may facilitate the micro financing it can encourage large amount of entrepreneurs to seek opportunity in forming a business and contributing to the economy.

Exemption from taxes: One of the very important features of SEZ is Exemption from taxes commonly known as Tax Holidays. This is a compulsory exemption from taxes which a firm enjoys for a particular period of time; however, this facility can be extended to lifetime by the approval of the statutory body.

Creation of more job opportunities: The creation of business directly means creation of Job opportunities. These job opportunities also include self-employment. In SEZ as large number of firms exists therefore there is enough availability employment opportunities which helps in scaling down the burden on the government with respect to employment.

In-flow of skilled workforce: In the development phase of the SEZ when large organizations are setting up their businesses, they require better technology and resources to take the advantage of the facilities of the government. For handling those resources and technology, they need skilled workforce to work in their organization. This In-Flow of Skilled workforce acts as trainers for the people working under them and hence the multiplier effect of the skill finds prominence in the environment.

Improvement in Infrastructure: It has been witnessed that SEZ invites more FDI (Foreign Direct Investment) ensuring more funds available to both parties i.e. The Government as well as to Corporate to built better infrastructure in terms of Road,
Communication, power, Water supplies etc. The SEZ also promotes the human settlement in the nearby areas which also aids the infrastructure of the SEZ.

- **Improvement in the technological state of the nation:** The FDI, Tax holidays, Ease of getting credit and other regulatory exemptions creates more money available with the businesses to spend on growth, research and development and most importantly, on the import of better technology in the economy. Also, with the advent of big organizations also the newer technology penetrates into the business. As these technology are already in possession of the business. In SEZ the advantage is that every business in the identical industry gets exposed to the newest technology available nearby and tries to possess it in order to have the competitive advantage. By this the cost of production is reduced, which can curb the economic problems related to inflation.

- **Easy to procure resources:** SEZ also becomes a potential market for Business to business (B2B) transactions by facilitating suppliers to target more business buyers easily and effectively. This opportunity is bilateral as the buyers also get suppliers and their supplies easily and effectively.

- **Minimization of risk:** According to Business links an official department in government of UK there are four types of Risks: a. Strategic, for example a competitor coming on to the market. b. Compliance, for example responding to the introduction of new health and safety legislation. c. Financial, for example non-payment by a customer or increased interest charges on a business loan. d. Operational: for example the breakdown or theft of key equipment. In case of SEZ a business can minimize the risk of risk related to compliance, financial and operations to the highest extend. As for compliance, minimal amount of regulations only exist for SEZ; tax holidays, credits at low interest rates, minimizes the financial burden and hence minimizes the financial risk. Availability of better technology, skilled labour, infrastructure and easy procurement of the resources reduces the operational risk. To some extent the firms can make better strategies as they enjoy competitive advantage to those competitors whose business is outside SEZ.
4.4.0. Recent growth and development—Comparison of SEZ India and SEZ Madhya Pradesh

Falling in line with the evolving global phenomenon, the Government of India also introduced Special Economic Zones under the EXIM Policy in April when Mr. Murlisone Moren then a commerce minister made a tour to the southern part of the china in 2000. Since then the growth in terms of employment generation or the export or the number of unit expansion have shown the tremendous change.

The SEZs were created with clear objectives of providing internationally competitive and hassle-free environment for earning foreign exchange, inviting foreign direct investment (FDI), facilitating transfer of technology and generation of employment. The SEZs are exporting a wide range of products and services like electronic, engineering items, chemicals and allied products, gem and jewelry, textiles, garments, plastics and rubber products, offer a wide variety of benefits to the exporters.

The SEZ’s are important in today’s context for the third world countries which have been in the race for rapid economic growth. For undertaking any kind of massive development program the government requires huge amount of funds. So it looks out for potential partners to help the government carry out the program. Now say for setting up an SEZ, the government may tie up with a private partner whose willing to invest in that area, thus a win-win situation for both.

As in the government gets the capital needed to establish the required infrastructure and also the expertise. The private player on the other hand gets the right to market and use the SEZ’s with relaxed tax laws, thereby increasing its revenue generating capacity and also carrying out the economic growth of the company in a more efficient way with the better tax policies. Actually SEZ’s with relaxed import tariffs help the Import dependent and export driven industries to flourish by helping them develop manufactured goods at competitive prices.

But the growth has a remarkable contribution of the states such as Tamil Nadu, Maharashtra, Andhra Pradesh and Gujarat. As this study revolve around the state of
Madhya Pradesh which has shown it lethargic attitude in term of SEZ establishment. Following table reveals the story-

Table: 4.9 State-wise distributions of approved SEZs (As on 17.07.2013)

<table>
<thead>
<tr>
<th>State</th>
<th>Formal Approvals</th>
<th>In-principle approvals</th>
<th>Notified SEZs</th>
<th>Exporting SEZs (Central Govt. + State Govt./Pvt. SEZs + notified SEZs under the SEZ Act, 2005)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>109</td>
<td>6</td>
<td>8</td>
<td>39</td>
</tr>
<tr>
<td>Chandigarh</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Chhattisgarh</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Delhi</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Dadra &amp; Nagar Haveli</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Goa</td>
<td>7</td>
<td>0</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Gujarat</td>
<td>43</td>
<td>7</td>
<td>30</td>
<td>18</td>
</tr>
<tr>
<td>Haryana</td>
<td>46</td>
<td>3</td>
<td>35</td>
<td>5</td>
</tr>
<tr>
<td>Jharkhand</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Karnataka</td>
<td>61</td>
<td>1</td>
<td>40</td>
<td>22</td>
</tr>
<tr>
<td>Kerala</td>
<td>29</td>
<td>0</td>
<td>24</td>
<td>8</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td><strong>19</strong></td>
<td><strong>2</strong></td>
<td><strong>9</strong></td>
<td><strong>2</strong></td>
</tr>
<tr>
<td>Maharashtra</td>
<td>102</td>
<td>16</td>
<td>65</td>
<td>20</td>
</tr>
<tr>
<td>Manipur</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Nagaland</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Odisha</td>
<td>10</td>
<td>1</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Pondicherry</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Punjab</td>
<td>8</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>10</td>
<td>1</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>67</td>
<td>6</td>
<td>53</td>
<td>33</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>31</td>
<td>1</td>
<td>21</td>
<td>9</td>
</tr>
<tr>
<td>Uttarakhand</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>West Bengal</td>
<td>18</td>
<td>3</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>576</strong></td>
<td><strong>49</strong></td>
<td><strong>392</strong></td>
<td><strong>173</strong></td>
</tr>
</tbody>
</table>
State wise distribution of formally approved SEZs clearly shows the pro-active nature of the five states namely Tamil Nadu, Maharashtra, Andhra Pradesh, Karnataka, and Gujarat in attracting investors and mobilizing investments in terms of granting State Government recommendation. Although central state has vast natural and mineral base but lagging way behind in terms of providing the right environment for the investors to get their proposals formally approved and notified. This is substantiated by the fact that in case of functional approvals those five states have a share of almost 76%. Whereas Madhya Pradesh bears only 1.15%.

Chart 4.10 Comparison of India and Madhya Pradesh in term of SEZ establishment

Source: compiled from Government sites of SEZ

The six major sectors of IT/ITES, Hardware etc., Textiles and Apparel (including Wool), Pharma and Chemicals, Biotech, Engineering and Multi-products account for bulk (82%) of the SEZ formal approvals granted so far. IT/ITES/Electronic Hardware/Semiconductor is the single most important segment accounting for about 61% of the total formal approvals followed by Biotech and Engineering SEZs. This ratio is the
highest in Pharma/Chemicals sector (90%) followed very closely by engineering sector (70%). Whereas Madhya Pradesh counts only 2 areas i.e. IT sector and Multi product sector as functional.

Table: 4.11 Sector wise distribution in India

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Formal Approvals</th>
<th>In-principle Approvals</th>
<th>Notified SEZs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>6</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Airport based multi-product</td>
<td>4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Auto and related</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Aviation/Aerospace/Copper</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Beach &amp; mineral/metal</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Bio-tech</td>
<td>32</td>
<td>0</td>
<td>21</td>
</tr>
<tr>
<td>Building product/material</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>FTWZ</td>
<td>14</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Electronic prod/ind.</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Gems and Jewellery</td>
<td>13</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Sector wise Distribution Gems and Jewellery</td>
<td>13</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Non-Conventional Energy</td>
<td>6</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Petrochemicals &amp; petro.</td>
<td>4</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Pharma/chemicals</td>
<td>23</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>Plastic Processing</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Port-based multi-product</td>
<td>8</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Power/alternate energy/solar</td>
<td>3</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Strategic Manufacturing</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Textiles/Apparel/Wool</td>
<td>18</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>Writing and printing paper mills</td>
<td>2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Engineering</td>
<td>21</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td>Footwear/Leather</td>
<td>7</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Food Processing</td>
<td>5</td>
<td>0</td>
<td>4</td>
</tr>
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</table>
### Sectors

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Formal Approvals</th>
<th>In-principle Approvals</th>
<th>Notified SEZs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-Services/Services</td>
<td>16</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Multi-Product</td>
<td>25</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Metallurgical Engineering</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Metal/Stain. Steel/Alum/Foundry</td>
<td>9</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Granite processing Ind.</td>
<td>2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Handicrafts</td>
<td>5</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>IT/ITES/Electron/Hardware/Semiconductor</td>
<td>353</td>
<td>1</td>
<td>235</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>588</strong></td>
<td><strong>49</strong></td>
<td><strong>386</strong></td>
</tr>
</tbody>
</table>

Source: SEZ India website

### 4.4.2. Employment Scenario

SEZ’s create immense employment opportunities. The setting up of SEZ’s creates lot of indirect employment in terms of labour required. Then after the completion it enables employment in the relevant industries operating in the SEZ. Then there are lots of indirect employments generated wherein people start investing around SEZ. For example SEZ’s are townships of their own; thereby there are shopping malls, restaurants, amusement parks setup around to attract people, thus resulting in more economic development in that area. The total employment till 2012 at all over India was 8,44,910 persons which consists of state /Pvt. SEZ set up under the act were 5,52,048 and central government SEZ were 2,13,853 persons where as in this ratio Madhya Pradesh shares only negligible percentage of employment that is 9056 persons. Following chart can explain it in better way-
Table: 4.12 Comparison of Employment in SEZ nationally and state

<table>
<thead>
<tr>
<th>Employment</th>
<th>Persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madhya Pradesh</td>
<td>9056</td>
</tr>
<tr>
<td>Rest of States</td>
<td>835860</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,44,916</strong></td>
</tr>
</tbody>
</table>

Source: Compiled from official sites of SEZ

4.4.3. Export promotion and Performance

With a view to making exports an effective instrument for promoting greater economic activity and employment, a number of schemes which have been in existence for some time now have been strengthened and improved upon while some new ones have been introduced. A brief description of some of these schemes is given below:

**Assistance to States for Development of Export Infrastructure and other activities (ASIDE) Scheme**

The ASIDE scheme aims at encouraging the active involvement of State Governments for development of export infrastructure through assistance linked to export performance. The scheme provides an outlay for development of export infrastructure which is distributed among the States, inter-alia, on the basis of the States’ export
performance in the previous year. After the merger of EPIP, EPZ, CIB, EDF scheme in the ASIDE scheme, the on-going projects under these schemes are also being funded by the States from the resources provided under the ASIDE scheme. The specific purposes for which the funds allocated under the scheme that can be sanctioned and utilized are as follows:

- Creation of new Export Promotion Industrial Parks/Zones (including Special Economic Zones (SEZs)/Agri-Business Zones) and augmenting facilities in the existing Zones.
- Setting up of electronic and other related infrastructure in export conclaves.
- Equity participation in infrastructure projects, including the setting up of SEZs.
- Meeting the requirements of capital outlay of EPIPs/EPZs/SEZs.
- Development of complementary infrastructure such as roads connecting the production centres with ports, setting up of Inland Container Depots and Container Freight Stations.
- Stabilizing power supply through additional transformers and islanding of export production centres, etc.
- Development of minor ports and jetties of a particular specification to serve exports.
- Assistance for setting up Common Effluent Treatment Plants.
- Projects of national and regional importance.
- Activities permitted as per the Export Development Fund in relation to the North East and Sikkim.

Apart from the above activities SEZ’s improve the country’s foreign export. Because of the increased FDI and Private Equity presence, the local manufacturers get to tie up with these big names and export their products which now carry a better brand value, therefore helping in creating a greater demand for the goods of local manufacturers. The increased exports from the country bring in more revenue for the country which improves the economic growth.

<table>
<thead>
<tr>
<th>Year</th>
<th>Export in India</th>
<th>% export from Pre. Yr</th>
<th>Export in Madhya Pradesh</th>
<th>% export from Pre. Yr</th>
</tr>
</thead>
</table>

Table: 4.13 Export Comparison of Madhya Pradesh with India
<table>
<thead>
<tr>
<th>Year</th>
<th>Investment</th>
<th>Growth</th>
<th>Tonnage</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>34,615</td>
<td>52%</td>
<td>217.02</td>
<td>42.5%</td>
</tr>
<tr>
<td>2007-08</td>
<td>66,638</td>
<td>93%</td>
<td>338.20</td>
<td>55.83%</td>
</tr>
<tr>
<td>2008-09</td>
<td>99689</td>
<td>50%</td>
<td>430.49</td>
<td>27.28%</td>
</tr>
<tr>
<td>2009-10</td>
<td>2,207,11,39</td>
<td>121.40</td>
<td>494.41</td>
<td>14.84%</td>
</tr>
<tr>
<td>2010-11</td>
<td>3,15,867,85</td>
<td>43%</td>
<td>1242.66</td>
<td>151.34%</td>
</tr>
<tr>
<td>2011-12</td>
<td>3,64,477,73</td>
<td>15.39%</td>
<td>1637.1</td>
<td>31.74%</td>
</tr>
</tbody>
</table>


### 4.4.4. Investment and Land Allotment

SEZ’s help in creating a balanced economic growth in a country if they are properly located and implemented leading to tapping of local talent and contributing to increased economic activity in the area. The total SEZ investment in different in infrastructural development within SEZ has been very widely defined, to mean all facilities needed for development, operation and maintenance of an SEZ including industrial, business and social amenities like roads, buildings, sewerage and effluent treatment facilities, solid waste management facilities, ports, airports, railways, transport system, generation and distribution of power, gas and other forms of energy, telecommunication, networks and social & recreational infrastructure like hospitals, hotels, educational institutions, residential and business complexes etc. The beauty of SEZs is that this infrastructure would be created by the private sector, through private funding.

The total investment in term of development of SEZ and units is Rs.2, 018,74.76 cr. at nation level where as that rest to the 3009.43 cr. at Madhya Pradesh state level. That comprises 1.49% of total investment. Industrial land, particularly developed with good infrastructure has been a scarce commodity in India. With the number of SEZs coming up, a lot of land would be developed. Total land allotted to SEZ is 47,190 hectares and Madhya Pradesh total area of SEZ is 1038 hectares. Moreover, competition between developers would ensure better operation and maintenance of the infrastructure for investors looking for units in SEZs.
Conclusion:

Apart from providing state-of-the-art infrastructure and access to a large well-trained and skilled work force, the SEZ also provides enterprises and developers with a favorable and attractive framework of incentives and benefit. The SEZ’s could drastically improve the economic activity in the state make the state’s export competitive and nationally noticeable, also SEZ is a exchange earner and provide immense employment opportunity. But this should not be done at the cost of bringing down the agricultural activities, Land grabbing and real estate mafia should be properly regulated so that the entrepreneurial activities and private SEZ also come up in the state. To be economically viable SEZ’s should be approved over a particular land area (greater than 1000 acres) for rapid economic growth in the area and for it to be profitable and self sustainable. Relaxed Tax norms, Labor laws and DTA regulations will surely attract foreign investment and major industries to setup industries in the SEZ’s making it profitable and meeting its desired results. Another mentioned point for the benefit of the entrepreneurs is to provide them basic amenities especially in Madhya Pradesh so that state can also grow in term of numbers as well as other benefits of SEZ.