7.1 Introduction:

India was one of the earliest Asian countries to establish a manufacturing oriented SEZ. The first SEZ in India was developed by the central government under the ‘export processing zone’ (EPZ) scheme in the port city of Kandla in Gujarat in 1965. Since then, SEZs have been an integral part of India’s export promotion policy. Subsequent to the Kandla EPZ, the central government established five more zones by the late 1980s and a seventh zone in 1994. After getting motivation from Chinese SEZ, the government introduced an ‘SEZ policy’ in 2000 which aimed at encouraging and enabling the establishment of SEZs in the private sectors. The objectives of SEZs are mainly a generation of additional economic activities, promotion of export, investment from domestic as well foreign sources, creation of employment and development of infrastructure facilities. The SEZ Act provides the umbrella legal framework for establishment of SEZs and its units. A SEZ is duty-free enclave and customary territory of India. That is a comprehensive legislative framework in order to meet the long-standing industry demand for a single enabling legislation for SEZs. This new Act provides income tax concessions for both SEZ units as well as SEZ developers.

There are large numbers of studies had been carried out to analyse the performance of SEZs at the global level, but such types of studies are scarce in the Indian context. So, there is a need to have more research in the area to judge the performance of SEZs in India by assessing the SEZ scheme, and their origin and growth in India. The study deals with Gujarat’s selected SEZs to analyse social and economic impact of SEZs in India. I take 10 years; 2004 to 2014 for study purpose. The study is based on both primary and secondary data. Secondary data has been drawn mainly from sources like Ministry of Commerce and Industry, websites, search engine, E-library, articles, journals etc. Primary data was collected from selected SEZs in Gujarat state, namely, Adani port & special economic zone (APSEZ) and Tata consultancy service (Garima Park). At the time of survey, 3084 employees were working in these two SEZs. According to the nature of economic activities, the employees were classified into three categories; Managerial and administrative staff, skilled workers and unskilled workers. Data was collected from 10% employees from each category of selected
The conclusions are drawn by working out the percentages, simple averages, simple growth rates, compound growth rates and correlation.

The following objectives have been set for the study:

- To find the pattern of growth and development of SEZs
- To check adequacy of objectives and goals of SEZ implementation
- To find the impact of SEZ on economy in Gujarat
- Analyse the working of SEZ in Gujarat

The following hypotheses are formulated for empirical testing:

- Employment and export increase as investment of firm in SEZ increase.
- Increase in domestic and foreign investment as well as better infrastructure.
- Land acquisition and some other controversy regarding land are come into the picture during development of SEZ.
- Increasing burden on natural resources like land, water, forests and environmental destruction.
- Revenue losses because of the various tax exemptions and incentives.

7.2 Conclusion:

Objectives of study obtained from analysis of primary and secondary data collected during study. Conclusion of study is described as under different objectives. Hypotheses are also tested under different heading of objectives as below.

7.2.1 Find the pattern of growth and development of SEZs:

The concept of free zone/special zone has existed for many years. Typically, special zones are regions designated for economic development oriented towards attracting the FDI and export promotion, both fostered by special policy incentives. In India, the concept of free zone - Export Processing Zone (EPZ) - emerged during the 1960s when the first EPZ was set up in Gujarat. Subsequently, six more EPZs were established. But, with rigidity and not so attractive package of incentives and facilities the Zone authorities had limited powers. There were however no significant changes in other laws and procedures pertaining to the EPZs. Since 1980, the China gives SEZs special (more free market-oriented) economic policies and flexible governmental measures. This allows SEZs to utilize an economic management system that is more attractive for foreign and domestic firms to do business in than the rest of
mainland China. China has established SEZ in Shenzhen, Zhuhai and Shantou in Guangdong Province and Xiamen in Fujian Province, and designated the entire province of Hainan a special four special economic zones were formed in the east of China. After showing success of SEZ in China, The government of India (GOI) is considering the need to enhance foreign investment and promote export from the country and in order to make the domestic enterprises and manufacturers competitive globally, announce the introduction of special Economic Zones (SEZ) in the country in early 2000s. As a concept, SEZ were announced to be deemed foreign territory for the purpose of trade operations, duties and tariffs. The SEZ legislation (Comprising of the SEZ Act and the SEZ Rules) to Implement and give effect to the policy was launched with considerable hype in India in 2006. The GOI also provided for lucrative taxes incentives for the companies to establishing the SEZ.

The most successful Special Economic Zone is in China, Shenzhen that has been developed from a small village into a city with a population over 10 million within 20 years. India replicates china in establishment of SEZ. Factors those are affect are listed in table no 7.1.

Table No. 7.1
SEZs: India v/s China

<table>
<thead>
<tr>
<th>Factors</th>
<th>China</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commencement</td>
<td>In 1978.</td>
<td>In 1965 with the export processing zone concept. But failed to muster courage in giving these regions foreign territory status till the year 2000.</td>
</tr>
<tr>
<td>No. of SEZs</td>
<td>Only six SEZs: Shenzhen, Zhuhai, Shantou, Xiamen, Hainan and Pudong.</td>
<td>More than 550 approved and 173 operational.</td>
</tr>
<tr>
<td>Size of SEZs</td>
<td>Typically in hundreds of hectares. (Shenzhen built over 49,500 hectares)</td>
<td>Sector specific allowed. Even 10 hectares will do.</td>
</tr>
<tr>
<td>Location</td>
<td>Located on the coastal region. To facilitate exports and imports.</td>
<td>No restriction. Most of all are near to city.</td>
</tr>
<tr>
<td>Labor laws</td>
<td>Relaxed labour laws in the</td>
<td>Flexibility is absent.</td>
</tr>
</tbody>
</table>
As we know, India replicates China in SEZ. We did not as success as China. But, the establishment of the SEZs has undoubtedly helped to increase the volume of international trade. Further, a large amount of foreign investment has found its way not only into the export trade, but also into infrastructure construction and commerce. Foreign companies have been encouraged to establish their presence in the territories and the export industry has grown. Advanced foreign technology has been brought in with the inflow of foreign investment. All these factors have contributed to the growth of the Indian economy. The enactment of the SEZ Act and its implementation should enable the GoI to fulfil its agenda of economic reforms as the multiplier effect on the economic activities triggered by SEZ materializes. The challenge now is whether India through its SEZs can leverage its cost advantage and huge knowledge base and break the hold of China in manufacturing by making India the preferred destination for doing business.

7.2.2 **Check adequacy of objectives and goals of SEZ implementation:**

SEZs in India are modified versions of the earlier export processing zones. The main objectives of the SEZ Act are: a) promotion of exports of goods and services, b) creation of employment opportunities, c) promotion of investment from domestic and foreign sources and d) development of infrastructure facilities. We discuss each objective separately & come into conclusion whether objectives and goals behind SEZ implementation are fulfilled or not.

Special economic Zone is a geographical bounded zone where the economic laws in matter related to export and import are more broadminded and liberal. The data collected from
annual survey of Ministry of Commerce (GOI) reveals that India had total export of Rs.209018 crore, while export through SEZs was only Rs.9190 crore which is 4.4% of total export from India. After SEZ Act and SEZ Rule are come into effect, Export through SEZs was increased continuously. In year 2013-14, Total export in India was Rs.1899730 crore among them export through SEZs was Rs.494077 crore with 26.01% of total export. SEZs are projected as duty free area for the trade, operation, duty and tariff. This is only reason for more establishing SEZs. The exports performance figure seems to be encouraging but in fact it is to some extend misleading. As on 2013-14, Only 173 SEZs are exporting their product out of more than 550 SEZs for which the government has accorded approval. The data collected by The Department of Revenue in 2012-13 shows that short-fall in total export was 74.57%. Ultimately, SEZ has proven to raise export of India.

In order to impart stability to SEZ regime and to achieve generation of greater economic activity and employment through the establishment of SEZs, a Special Economic Zone Act has been enacted. The SEZ Act, 2005, supported by SEZ Rules, has come into effect on 10th February 2006. While analysing the employment impact of SEZs, one finds that they have played a significant role with respect to their contribution to employment creation. Sometimes it is also argued that employment opportunities created within SEZs are not the net addition to employment; they replace old jobs outside the zones. There is therefore a very small net employment effect of zones. However, some country-specific studies report that the net addition to employment opportunities by SEZs has been positive. Concept of EPZ was introduced with employment of 70. After coming to SEZ, Employment was increased from 1,79,00 in 2006-07 to 14,13,835 in 2013-14. The data collected by The Department of Revenue in 2012-13 reveals that short-fall in total export was 92.73%. There are wide gaps in the employment projected by the developers and that provided in actually. It is clear that the pattern of employment generation is also not uniform across sectors and states. The other interesting fact is that there is a concentration of SEZs close to urban agglomerations resulting in employment generation in the districts that are already industrialized with higher levels of literacy. Even though, SEZ has proven to raise export of India. Limited evidence that is available indicates that indirect employment effects of zones could be more pronounced than direct effects. But, SEZs also provide indirect employment in India. The indirect employment effect has appeared as ancillary employment opportunities generated in sectors of the economy affected by the operations of the SEZ. These include transport, communication, automobile, civil aviation, shipping, tourism, hospitality, packaging,
banking, insurance, etc. Employment opportunities are thus generated for both unskilled and skilled labour. The indirect employment effect of SEZs depends upon backward and forward linkage of the SEZ industry with local supplies of raw materials and other required inputs and the success of SEZs in attracting investment. The creation of backward linkages with the expansion of investment in zones would certainly help to generate more indirect employment. Evidence suggests that women’s share in total employment of SEZs is substantially higher than both the economy as a whole as well as the manufacturing sector outside the SEZs. The increased employment opportunities have empowered women and have made them more independent in improving their relative status and bargaining power within households. But female employment is concentrated in low paying and low productive jobs. A vast majority of workers in SEZ firms are young women aged 16-25 years. However, SEZs have become a mechanism of women empowerment. Hence, SEZs have generated reasonably satisfactory levels of employment.

The hypothesis; Employment and export increase as investment of firm in SEZ increase, is therefore supported by the findings based on the data & above.

Analysis reveals that the SEZ policy has succeeded in giving a major push to investment from domestic as well as foreign at aggregate level. Several fiscal and regulatory incentives to developers of the SEZs as well as units within these zones are provided. In addition to the incentives offered by the Central SEZ Policy, there is state policy which offers several additional incentives to the units within these zones. SEZs could offer a useful platform for foreign investors who were looking to India as regional hub of manufacturing, trade and logistics. But uncertainty around the policy seems to have ruined prospects of attracting FDI. On a positive note, SEZs have provided domestic entrepreneurs fertile ground to flourish in India. It has affected industrial activity outside also. SEZs were intended to attract a foreign multinational enterprise which was supposed to have a catalytic effect. The foreign capital was to be attracted by means of leveraging incentives and to use foreign technology and management skills to augment exports. While applying for permission to establish an SEZ, the Developer indicates the quantum of investment proposed to be made in the SEZ. The Department of revenue conducted audit regarding projected and actual investment in SEZs. Those data indicate shortfall of 58.81% in year 2012-13. Multi-Product SEZs registered 67% shortfall in investment in the zones located in various states during the period of audit. This was followed by 26% shortfall in IT Sector. The main contributor to the development of SEZs in India has been IT sectors. Investment in SEZs is primarily concentrated in IT sectors,
leaving behind the multi-product sectors. Despite of shortfall in investment in SEZs, It gave boost to Indian economy from decade. Once SEZ act was coming to act, Investment also raised from Rs.13435 crore in 2006-07 to Rs.322481 crore in 2014-15. However the performance has remained far below expectations. The share of FDI in total investment is rather law. Indian SEZs did not attract more FDI as it would have liked because firstly, India has not used SEZ policies to test reforms which would later be adopted nationwide; secondly, Indian SEZs are small in size and finally, because of the lack of labour market flexibility.

**The hypothesis; Increase in domestic and foreign investment, is therefore proved in case of domestic investment and partially proved for foreign investment.**

One of the objectives of SEZs is to create world-class infrastructure. Every SEZ is divided into a processing area designed for production activity and a non-processing area where the supporting infrastructure is to be created. Better infrastructure is one of the most important benefits offered by SEZs to units. Infrastructure facilities in SEZs can be commonly used by members, thereby reducing the requirement of setting up individual facilities. Infrastructure that needs to be created within an SEZ has been notified in notification of 27 October 2006. In order to ensure substantial investment in infrastructure, the BoA has drawn up lists of minimum infrastructure that the developers need to provide to units for different types of SEZs. In general, SEZ developers are to provide-by way of industrial infrastructure, roads, telecom and other communication facilities, electricity, water, common effluent treatment plants, sewage treatment plants, etc. In addition, Sector-specific SEZs such as IT, biotech and Gems & jewellery, are also allowed to provide apartments, convention centre, cafeterias and restaurants, recreational facilities. Sector-specific SEZs may also have hotels, schools and other educational and technical industries. Multi-product SEZs are allowed to have ports, airports and golf courses. Maintenance agencies assisting the developer have chambers within the SEZ. The SEZ developer is responsible for all internal functioning facilities like power generation plants and distribution network, internal water supply, sanitation and sewerage, and internal roads as well as linking facilities of SEZs like railway tracks, roads and bridges, airport facilities, telephone lines and telecom network etc., in both the processing and non-processing areas. The social infrastructure in non-processing area would predominantly service the requirement of those working in the processing area. However, since no duty concessions are available for operation and maintenance of the social infrastructure located in non-processing area, no such restrictions are imposed in the SEZ Act or SEZ Rules on the use of social infrastructure in the non-processing area. In a gazette notification on January 2 to
amend the SEZ Rules, 2006, the commerce ministry has allowed dual use both by the SEZ and the domestic tariff area entities of “social or commercial infrastructure and other facilities”, within non-processing areas. The infrastructure approved by the BOA is eligible for exemptions for business or social purposes in SEZs. However, in case of any infrastructure created by the developer in addition to what has been approved by BOA, no exemption from duty or taxes shall be available for such additional activity. SEZs provide some other infrastructure facilities with global safety and quality standards like adequate warehousing and cold storage facilities, inland container depots, Customised support infrastructure, Captive airstrip/helipad, dedicated jetty for cargo movements, safety and security measures and captive power plants of SEZs to support state electricity etc. SEZs can be particularly helpful for small and mid-sized entities that cannot afford to set up captive infrastructure facilities. Better infrastructure facilities in SEZs have enabled hassle-free environment, as evident from an increase in exports.

The hypothesis; Increase infrastructure facilities, is therefore proved in some cases of SEZs.

The Special Economic Zone Act of 2000 was introduced (enacted in 2005) to make SEZs growth engines. SEZs can be established on any land, including privately procured or in the open market. However, it has been difficult for companies to procure the large, contiguous areas of land they require, particularly in the areas of their choice with sufficient infrastructure and access to urban areas, as well as attractive prices. The Land Acquisition Act of 1894 has provided the legal basis for acquiring land for SEZs in particular. The Land Acquisition Act 1894 was created by the British colonial regime to facilitate the acquisition of land for railways, factories and other “public purposes”. This law has remained almost unchanged to this day. The new land acquisition bill piloted by the government of Prime Minister Modi has been sent to a parliamentary committee for reconsideration after facing opposition and accused of being against farm interests. There is strong evidence that past acquisitions of land for development have gone awry. The government continue its battle for a new, controversial land acquisition law. The previous United Progressive Alliance government cleared 576 SEZs covering 60,375 hectares, of which 392 SEZs covering 45,636 hectares were notified (approved land) till March 2014. Of the 392 notified zones, only 152 are operational (28,489 hectares). The land allotted to the remaining 424 SEZs (31,886 hectares) has not been put to use (52.8% of total approved SEZs), although approvals and notifications in 54 cases date back to 2006. While 47.5% of land allotted to SEZs in Gujarat
is idle and has been in custody of developers for between two and seven years without any investments. For acquisition of land from farmers, two methods are followed. The first is of compulsory acquisition. The other way is to late the SEZ developers purchased the land directly from the farmers. In either method, the farmer stands at disadvantage. SEZs posed a serious challenge to the regulatory framework governing the acquisition of land. Most of the farmers do not want to sell their land. The question of displacement of farming communities to acquire land for industrialization has assumed political importance. The colonial acquisition law does not engage itself with issues such as resettlement or rehabilitation of the displaced. The benefits promised by the resettlement and rehabilitation law come with conditionality. Most benefits are not available to non-property owners; such as agricultural workers, artisans etc. Who are usually the poorest sections, unless a large number of families are simultaneously affected by an acquisition. The vulnerability of people ends in landlessness, joblessness, homelessness, marginalization, increased morbidity, food insecurity, loss of access to common property, social disarticulation, etc.

The hypothesis; Land acquisition and some other controversy regarding land are come into the picture during development of SEZ, is therefore supported by the findings based on the analysis.

Industrial development plays a vital role in the economic growth of a country. However, when it comes to industrial development, we pay the price in the form of pollution of land, air and water. Global warming is a key indicator of the adverse effects of development. Any development which exceeds the biological carrying capacity of the land destroys ecological systems and the environment in general. Depending on the category, developers need to acquire five environmental clearances from different agencies to set up SEZs. These are; State Government Clearance, Consent to Establish clearance from the State Pollution Board, Forest Clearance under the Forest (Conservation) Act, Environment and Coastal Regulation Zone Clearance, Forest Rights Clearance (for industry) and Forest Rights Act Clearance Act (for mining). However, SEZs if not properly planned can destroy natural habitats and result in loss of forests and biodiversity - converting agricultural land into factories, roads and homes - resulting in air, water and soil pollution. The resource and environmental degradation scenario seems very disturbed having pernicious impact on neighbouring areas and natural resources. Drying of rivers due to siltation and illegal construction in and around SEZ area has given space for dumping garbage and slum dwellers which has further multiplied the problems of solid waste disposal, safe drinking water and noise pollution.
Developers are required to undertake to provide a solid waste management mechanism, common effluent treatment plant (CEPT) and sewage treatment plants. It is important to consider these points. Thus, SEZs have generated an intense debate, touching almost every possible aspect, which includes forced land acquisitions, unemployment of local communities, threat to food security and environmental sustainability. Generally, SEZs are sited on agricultural, waste and coastal land. Agricultural land is rich in soil and has a good water table. Wastelands are rich in flora and fauna and so are coastal sites with an unpolluted surrounding. Many industries were formerly located in areas with ample water supply. With polluting industries, a lot of air and water pollution also became a major drawback. This itself impacts the sites negatively. Hence there is a need to protect these sites from environmental deterioration. The SEZs itself are required to undergo public hearing, however in practice the procedure is flouted with impunity. There are cases like the Mundra SEZ where the Ministry of Environment and Forest has recommended that public hearing but ultimately exempted for the creation of the multi product SEZs. SEZ increased traffic in the local area and traffic congestion. The ecosystem in the study area reveals that government has not taken any positive response for environment protection and land degradation.

The hypothesis; Increasing burden on natural resources like land, water, forests and environmental destruction, is therefore supported by the findings based on the analysis.

The creation of special Economic Zones in India in the 2000 gives many dividends as projected during their inception. The main factor for the underperformance of these Special Economic Zones was poor export policy of India, which was loaded with huge taxes and duties. The Government of India eased the export policy of India to facilitate easy growth of SEZ and Export Promotion of Indian goods across international destinations. According to SEZ Act there is a revenue loss because of the various tax exemptions and incentives. The comptroller and auditor general (CAG) of India’s report estimate the duty foregone at Rs.8842 crore in the five-year period from 2000-01 to 2005-06, while in year 2006-07 alone, the revenue loss amounted to Rs.2146 crore. The comptroller and auditor general (CAG) has found that government’s revenue foregone was to the tune of Rs.83000 crore between 2007 and 2013. As much as Rs.77694.37 crore of revenue was sacrificed during 2012-13 and 2014-15 fiscals for promoting SEZs, commerce and industry minister Nirmala Sitharaman told the Rajya Sabha. The revenue foregone due to concessions availed by SEZs during 2012-13 was pegged at Rs.23305.40 crore. Hence, Total revenue loss due to tax concession from starting of SEZs is Rs.139534.97 crore. This revenue foregone did not include loss to the
exchequer on account of central excise and service tax that could have accrued if these companies were brought out of the SEZs. The revenue foregone, or loss to the exchequer, could be many times more considering other concessions availed by these companies such as stamp duty, VAT, CST etc could not be quantified in the absence of any monitoring mechanism. It is not only that Government alone will lose revenue but there will be also outflow of capital because for getting various tax rebates those industries which are their outside the SEZ area will shift their capital and unit to SEZ area. Hence Estimated revenue loss from tax concession to such zones is increased with more SEZs getting the government approval.

The hypothesis; Revenue losses because of the various tax exemptions and incentives, is therefore supported by the findings based on the analysis.

7.2.3 Find the Impact of SEZ on Economy in Gujarat:

Special Economic Zone is the most discussed and disputed topic in India. For the economic development and to encourage export of various things and to take place in globalization all the countries are contributing themselves and trying for it consciously and SEZ is one of the parts of this. All over the opposition to SEZ, but for financial development, export growth, increase employment of the country, SEZ is essential. Government has passed special SEZ Act and implementation is doing. In India, Gujarat has always been a pioneering state with all its initiatives in the process towards economic development. It plays a pivotal role in terms of creating and enabling atmosphere of entrepreneurship, giving incentives to transform entrepreneurial qualities into development activities, thus, improving the economic status of the state as a whole. Gujarat has witnessed Gross State Domestic Product (GSDP) of Rs.7.74 lakh crores in 2013-14. The Gujarat Special Economic Zone Act 2004 extends to the whole state of Gujarat. It approves establishment of SEZs with the objectives of: (a) generation of additional economic activity; (b) promotion of exports of goods and services; (c) promotion of investment from domestic and foreign sources; (d) creation of employment opportunities; and (e) development of infrastructure facilities. The Board of Approval (BOA) in Ministry of Commerce and Industries (MoCI), New Delhi had accorded approvals to 55 SEZs in Gujarat by 2013-14. There are 174 functional SEZs in India out of which just 18 of them are in Gujarat. This means though there are around 55 SEZs in Gujarat, hardly 34% of them are fully functional and contributing to the state's and nation's exports. The growth rate of SEZ exports over previous year is also observed to be higher than country’s growth rate of exports.
over previous year in last decade. Gujarat alone contributed 42.84% share in total SEZs exports. Gujarat contributes 21% to India’s exports and 13% to its industrial production. SEZs are viewed as highly effective tools for job generation. Direct employment through SEZs in India is 11,48,605, while Gujarat it is only 56,909. Gujarat constitutes 96.58% shortfall in employment through SEZs. During 2013-14, outstanding investments in the state were around US$ 225.6 billion. Of the total outstanding investments, the electricity sector accounted for around 40.9%, followed by services (21.3%). Gujarat attracted 131 FDI proposals worth US$ 3.7 billion over 2011-12 and became the state with the second highest number of FDI proposals. In the Vibrant Gujarat summit held in January 2015, companies have signed 21,000 MoU’s and are ready to invest US$ 460.3 billion. In 2012-13, the Report of CAG shows 50.68% of shortfall in investment in Gujarat through SEZs. The fundamental logic of establishing a SEZ is that it should be completely engaged in export activity and thus should be near to either a sea-port or an airport making export transmission convenient and hurdle-free. Thus, the harbors or ports have boosted the growth of the number of SEZs in Gujarat. Gujarat has 41 ports along a coastline of 1600 kms; 11 are intermediate ports and 29 are minor ports. With 41 ports, there are almost 60 SEZs in Gujarat today. Hence, The SEZs played an important role in economic development, potential to succeed, all the ingredients to attract foreign investment, it propel exports, improves infrastructure, generated employments and to transform India into a major trading hub South East Asia. The SEZs definitely could bring about a lot of changes in the economic conditions of our country. Even though there are some eyebrows over economic disparities and land acquisitions, slowly the negative effects could be transformed into positives. Thus, Gujarat being an entrepreneurial state, has carried on with traditional industrial activities through its already established clusters, and has changed its industrial focus and ventured into non-traditional and entirely diversified sectors through Special Economic Zones. The SEZs have suitable solution to solve unemployment a most dreaded problem which our country facing today. Let’s hope that SEZs will bring all positive results in our socio-economic lifestyles.

7.2.4 Analyses the working of SEZ in Gujarat:

During the last decade, Indian economy has witnessed a lot of changes that have shown major effect on its export-import (EXIM) policy. After the introduction of SEZ (Special Economic Zone) scheme in the EXIM Policy from 01.04.2000, all existing FTZ/EPZ have been converted to SEZ. From all the Indian states, Gujarat emerged as a leader in SEZ led industrial development for boosting exports with around 57 SEZ present in Gujarat. In
Gujarat, SEZs are spread most of the districts of Gujarat rather than near only ports and industrial regions. A total of 192 functional SEZs in India have together clocked exports of over Rs.494000 crore during 2013-14. Of these, SEZs in Gujarat alone registered Rs.225042 crore. Maharashtra with Rs 56,399 crore and Karnataka with Rs 51,372 crore stood second and third, respectively, among the states. Out of all the 28 states, Gujarat ranks 5th following Andhra Pradesh, Tamil Nadu, Karnataka and Maharashtra with respect to SEZ approvals. However, only 15 states of India have notified and fully-functional SEZs. And as far as notification is concerned, Gujarat lags behind almost 8 to 9 states (West Bengal, Karnataka, Jharkhand, Chhattisgarh, UP, Punjab, Kerala, Goa, MP) out of the 15 states. Though Gujarat does not have the highest number of functional SEZs in the country, it has still managed to grab a lion's share in terms of overall exports from SEZs. As far as employment in SEZs is considered, Gujarat stands at a lowly sixth position with 75,586 persons employed in it's SEZs. States like Maharashtra (3.39 lakh persons), Karnataka (1.93 lakh) and Tamil Nadu (2.68 lakh) Andhra Pradesh (1.57 lakh) and Uttar Pradesh (83,900) had provided employment to more people in their respective SEZs. Compared to 2012-13, states like Maharashtra (68,785 persons), Karnataka (52,320) and Tamil Nadu (30,455) have provided more new jobs in 2013-14, compared to 24,396 persons employed by SEZs in Gujarat. Gujarat has share of 5% of employment through SEZs in India. Meanwhile, in Gujarat, over 57 SEZs have been approved by the Board of Approval for SEZs (May, 2013) in the state. These SEZs in the state will cover a total of 36,800 hectares and proposes to provide employment to 21.6 lakh persons. Similar to policy development and implementation, there is a glaring difference in the growth rate of SEZs in Gujarat and other states of India.

7.3 Major Findings:

**Chapter 1**: The Special Economic Zone is the type of economic zones. SEZ is more liberal than that of all other laws. There are many types of SEZs. Investment increases as the number of SEZs increase and hence employment and income are also increasing. SEZ has not only economic goal. Social, scientific and technical goals are also found behind the SEZ. The first special economic zone was established in china to attract the foreign investment. In China, The most successful Special Economic Zone is Shenzen. India was one of the first countries in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965. In order 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, the Special Economic Zones (SEZs) Policy was announced in April 2000. Currently, SEZ is working very well in India and especially in Gujarat.

Chapter 2: In this chapter, methodology of the study is based on both the primary and secondary data sources. The secondary data was obtained mainly from Offices, websites, RTI file, Books, Journals, Magazine, Newspapers, articles etc. Primary data was collected with the help of a sample survey by using multi-stage stratified random sampling technique from two SEZs, namely, Adani port and special economic zone Ltd (Mundra) and Tata consultancy service Ltd (Garima Park-Gandhinagar) in Gujarat. As many as 10% employees from each SEZ were randomly selected for the collection of required information from each category of employees. The conclusions are drawn by working out percentages, simple averages, simple growth rates and compound growth rates. The limitations of the study have also been explained in the chapter.

Chapter 3: Here in this chapter, the review of literature we have carried out in three segments to better understand of SEZ, like Global, Indian and Gujarat’s experience of SEZs. The studies relating to global experience of SEZs examined the performance of SEZs in terms of employment generation, export promotion, attracting investment (both domestic and foreign), technology up gradation and skill formation.

Indian experience of SEZs analysed the SEZ scheme in India, incentives and facilities provided to the developers of the SEZs. The sector-wise, state-wise and region-wise distribution of formally approved, approved in principle, and notified SEZs in India has been undertaken in many studies. On the other hand, some studies have taken up the issues such as land acquisition, problem of displacement and rehabilitation of farmers and agricultural labourers, effect of SEZ on agriculture sector, labour laws, concentration of SEZs, and revenue losses to government, effects of SEZs on environment etc.

Gujarat experience of SEZs shows more positive response rather than negative. Gujarat state is an example which shows that this scheme is mostly suitable for development of economy as well as standard of living of people. Through these SEZs, pharma companies in Gujarat will further facilitate India's integration in the global pharma industry and port industries made highly growth. In today's scenario, development of industries is most crucial for economy development. There are various advantages of SEZ as they are good from the point of vision of growth and development. It increases income level of citizens, persuades
competition and lowers labour costs. It helps to create a lot of job opportunities in the market. According to survey, there are many disadvantages of SEZ as revenue loss, Land acquisition, Diversity in development, Lack of proper rules and Threat to food & water securities.

But in Gujarat, there are very few studies which examined the performance of SEZs and these studies are narrow in scope. So, there is a need of comprehensive analysis on the performance of SEZs in Gujarat. The present study is a modest attempt to fill the gap in SEZ literature.

**Chapter 4:** Special Economic Zones are growth engines that can boost manufacturing, augment exports and generate employment, thus boosting industrial growth in an economy. The current chapter describes the economy of Gujarat from the point of view of SEZs. The chapter highlights the geographic spread of SEZs in Gujarat and gives facts about the number of SEZs in Gujarat State with compare to India. Finally it describes the importance of SEZs in Gujarat by studying an activity wise SEZ growth and seeing whether these SEZs have fostered only the basic industrial set up of Gujarat. It is necessary that it innovates in its industrial set up and exercises new mechanisms for industrial growth.

Exports and employment in SEZs largely depend on investment. Promotion of investments from domestic as well as foreign sources is one of the main objectives of the SEZ scheme. Export from SEZs is rise drastically year over years. Year 2009-2010 has highest rate of growth with comparisons of other years. Share of export through SEZs with compare to total export of country rise every year. Gujarat is most fast developing state in India, as industrial point of view. After announcing new industrial policy in 2009, Infrastructure development is booming as we seen data with compare to India & other states. Employment generation, both direct and indirect, has thus far been the most important channel, through which SEZs have impacted on human development and poverty reduction in India.

Major issue arise during development SEZs in India is Land acquisition. The disadvantages of Land Acquisition in India are loss of income, food security, and adverse effect on their livelihood. This rapid expansion of SEZ will lead to environment degradation, burden on natural resources and environment resulting in ecological imbalance and adversely affecting the goal of sustainable development. SEZs are exempt from different kind of taxes which may lead to revenue loss. This revenue loss is ultimately burden on common peoples.

**Chapter 5:** The country’s experience over the past few years reveals that SEZs can be used as an important strategic tool to facilitate investment inflow, promote exports and generate
employment. Employment generation through SEZs has thus far been the most important channel, through which SEZs have impacted on human development and poverty reduction. Direct Employment is 1029 and 2055 in APSEZ and TCS respectively. Though their share in employment through all SEZs is quite low, but they are playing an important role in employment generation in India. Export through APSEZ is rising significantly from 8.04 crore to 1836 crore from year 2004 to 2014. SEZs are also playing a significant role in attracting domestic as well as foreign direct investment. Total investment in APSEZ is 1670 crore in year 2013-14 with 17.62% of foreign share (FDI). Mundra is one of the best-developed SEZs in the country with the advantage of an in-built port, an airstrip, a railway line, and a power project. The infrastructure development in TCS is limited because it is in developing phase. TCS have developed only those infrastructure facilities which are mainly for their captive use and they totally neglected social infrastructure. During survey, 71.15% of APSEZ & 70.10% of TCS employees are satisfied with infrastructure facilities in SEZ. The skill formation also appears in APSEZ because educational institution was set up by the SEZs to improve the education system in the society. APSEZ & TCS impart on job training to their employees and sometimes they also send their employees to foreign countries to acquire advanced skills. Survey reveals that employees in TCS are quiet young & having better salary structure as compare to APSEZ. 88.24% is satisfaction level of working condition in TCS while it is 86.59% in APSEZ.

Chapter 6: The Special Economic Zones (SEZs) Policy was announced by the Government of India in April 2000. The policy intended to make SEZs an engine for economic growth, supported by providing quality infrastructure and complemented by an attractive fiscal package, both at the Centre and in the states, with the minimum possible regulation. SEZs in India functioned from 1 November 2000 to 9 February 2006 under the provisions of the Foreign Trade Policy, and fiscal incentives were made effective through the provisions of relevant statutes. The SEZ Act, 2005, supported by SEZ Rules, came into effect on 10 February, 2006, providing for drastic simplification of procedures and for single-window clearance on matters relating to the central as well as state governments. The SEZ Rules provide for different minimum land requirements for different classes of SEZs. The act has 56 sections, containing legal provisions for the establishment of SEZs, constitution of the Board of Approval, appointment of development commissioners, provisions for dispute settlement, etc. After the SEZ Act and Rules were notified, amendments to the SEZ rules were notified in 2006 and again in 2007.
According to SEZ Act there is a revenue loss because of the various tax exemptions and incentives. SEZs have their own adjudicating, enforcing and administering agencies. Therefore absolute non-interference by the state. There will be 100% tax exemption and relaxation from strict labour laws. They will not have any burden to comply with any sort of minimum obligation to export. Except for certain kind of offences the no investigation or inspection can be carried out in any of the SEZs without prior approval from the development commissioner. The Development Commissioner will be entrusted to the overall administration and supervision of the SEZ and exercise all necessary controls and co operations to foster speedy and effective development of the SEZ concerned. The development commissioner shall be appointed by the central government. Giving some exemption many traders are interested in SEZ, so that they can acquire at cheap rates and create a land bank for themselves. The number of units applying for setting up EOU is not commensurate to the number of applications for setting up SEZs leading to a belief that this project may not match up to expectations.

7.4 Suggestions:

**State-wise Distribution of SEZs:** With the installation of SEZ state will be divided into two types of area, i.e. tax free area (SEZ) and tax paying area. Due to this distinction the commodities produced in SEZ area will be cheaper than the commodities in the non-SEZ area. Hence industries are attracted to SEZ area. An analysis of state-wise distribution of SEZs revealed that there is a concentration of formally approved, approved in principle and notified SEZs in few states only. These are mainly in the states of Maharashtra, Andhra Pradesh, Tamil Nadu, Karnataka, Gujarat, and Haryana. But there are some states like Bihar, Assam, Jammu & Kashmir, Himachal Pradesh and Eastern States, where not even a single formally approved SEZs exists. The central government in order to have an equitable distribution of SEZs and to harness the local resources must take appropriate measures to establish SEZs in all the states and UTs of India. This will improve the infrastructure and connectivity of the regions and bring about a balanced regional development.

**Sector-wise Distribution of SEZs:** Sector-wise composition of SEZs indicates that there is a convergence of SEZs in the categories of IT/ITES in India. Therefore, the Ministry of Commerce & Industry should approve less number of SEZs in this sector, so as to give proper representation to other categories of SEZs in the Indian economy.
**Size of SEZs:** An analysis of size-wise and type-wise distribution of SEZs has provided that most of the SEZs are tiny (having area less than 1 sq. km.) and small (having area from 1 to 3 sq. km.). It has also been found examined that most of the tiny SEZs are in the IT/ITES sector. Hence, to exploit scale-related advantages the scheme should be designed to encourage large-sized and multi-product SEZs. Indian SEZs are comparatively smaller in size in comparison to China. The size of Shenzhen, Xiamen and Zhuhai SEZs are 32750, 13100, 12100 hectares respectively (Gauthier, 2004), much higher to the size of Indian SEZs.

**Women Employment:** It has been observed from the study that SEZs in India provided both direct and indirect employment to the people. The women have also got the employment opportunities which helped them to be self-reliant. There is still more scope for employment opportunities in these SEZs. But the employment share of SEZs in the manufacturing sector is marginal. Their share in female employment is also less. It is suggested that in order to increase the employment share of SEZs, in the manufacturing sector maximum number of approvals should be for the SEZs which prefer labour intensive technology and provide employment to women workers resulting in their empowerment.

**Investment through FDI:** The study has brought out that maximum investment in SEZs comes from domestic investors and the share of FDI in the total investment of SEZs is very less. So, in order to increase the share of FDI in the total investment, it is required that the government should approve only those SEZs which assure at least 50% FDI in the total investment.

**Infrastructure Development:** Further, the study provided that only those infrastructure facilities are developed by selected SEZs which are necessary to operate their units. Though training facilities do exist for the employees, but no social infrastructure like schools, hospitals, etc. are being developed by the selected SEZs. Therefore, the government must lay down detailed guidelines for the developers of SEZs to develop social infrastructure such as schools, hospitals, shopping area, recreational and sports facilities, airport, banks, etc. in the area earmarked for the SEZs. It will help to generate more employment opportunities for the people living in the vicinity. Those already in employment would feel satisfied and secure, contributing the maximum of their ability towards performance.

**Inadequate Monitoring of SEZs:** On the whole, there is a lack of proper monitoring and reviewing the activities and performance of SEZs. The government can introduce a performance based exit policy for the SEZ developers.
**Rehabilitation of displaced People:** Displacement is a process in industrialisation and economic growth. At the same time it should be ensured that it does not reduce the benefit of the masses. There is a need for a rational rehabilitation policy. Forced displacement should be avoided as far as possible. It is imperative for the planners and policy-makers to adopt a bilateral or multilateral process in development induced displacement. Finally with respect to the issue of adverse impact on the right to livelihood of people displaced on account of establishment of SEZs following initiatives are suggested. What is required is not only informed participation of people in development decision making with the legally recognized capacity to say ‘no to setting up of SEZ in a particular area but also legally recognized right to benefit sharing through continuous flow of certain percentage of benefits of the units in SEZ to the displaced if people collectively decide in favour of setting up SEZ. Thus the issue is not agriculture v. industrialization or peasants v. industrialists or ‘SEZ’ or ‘no SEZ’ but rather dominant (top down) approach to development v. alternative approaches based on the informed decision making by the people who pay for such development through their life histories and whether law offers mechanisms for recognizing the voices of such people. What is of concern is less the establishment of SEZs per se but more the corporate-led, state-facilitated industrialization through SEZs benefiting a few entrepreneurs but founded on misery inflicted on huge numbers who are displaced for the same.

**Land Acquisition:** Further to uphold the Constitutional obligations under Articles 39 (b) and (c) it is advisable to prohibit acquisition or even transfer of land from owners to SEZ developers for setting up SEZ and allow only lease of land between the two parties without transfer of absolute right over property so that the continuous flow of lease rent and benefit sharing goes a long way in formidable securing the livelihood of the land owners. In addition mandatory recruitment of non-land owning people displaced on account of setting up of SEZ as employees in the units in SEZ subsequent to imparting proper and adequate training to them is essential. These would go a long way in securing inclusive development which will usher achievement of economic justice, a constitutional imperative. When agricultural land gets transformed into industrial or urban land, it secures a huge value addition, and this is something needs to be taken into consideration. The price of the land should not only be judged by the current market rate, but also of the value of the land after development takes place. There is also need for a balanced reconciliation between displacement & resettlement.

**Location of SEZs:** SEZ which are located in already developed area, where there are higher chances of pursuing agglomeration, are found to be more successful as compared to those
which are located in semi or undeveloped areas. It seems that agglomeration and linkage effect of the SEZ are more difficult to exploit if SEZ are established in an area with poor or no industrial base. Hence, most of SEZs are located nearby urban or developed area. Thus Special Economic Zones could be planned for desired integrated development in a region rather than benefiting only developed cities, so that this economic policy can ultimately achieve economic growth of the country expected by the government.

**Technology Upgradation:** There is wide scope for human capital formation and technology upgrading in the zone. It is therefore important for the government to play a proactive role in strengthening these effects. Effective measures need to be taken to create R&D infrastructure, forge linkages between institutions, universities and the SEZ units and to promote R&D funding. It is argued that the productivity of labour forces in developing countries has failed to improve primarily due to the fact that work forces in these countries are uncompetitive and lack of required skills. In this scenario, SEZs can be used as a policy instrument in upgrading skills and building human capital.

**Environment Effect:** SEZ increased burden on natural resources and environment causing ecological imbalance. SEZs should not be allowed to developed on affecting the natural wealth and environmental like water, air, forest, fertility of land and on the cost of population of the locality. Government has to ensure that all the required environmental norms are met before approval for setting up units in SEZs.

**7.5 Limitation of study:**

Present study is based on established of SEZ and its working & effects on social life as well as economical as a whole. This study is based on the secondary data made available from the different sources. In my study, all SEZs are not cover because several SEZs have different type of working. So, Comparative study of all SEZs is difficult and meaningless. There are however inconsistency at some level of time which limits the in depth validity of the research. The trends are examined at specific and working level, which carries further areas specific limitation. So, I decide to take specific SEZ of Gujarat in my study for carrying significant research.
Future researcher could make several extensions of the current study. As mentioned above the research is just a small step in understanding concept of SEZs through selected two SEZ & its effect on economy as a whole. All the aspects relating to the SEZs in States could not be covered in the present study and thereby leaving scope for further research in the field. There are very few studies which examined the performance of SEZs. So, I tried to analyse the performance of SEZs in Gujarat. My study is narrow in scope. Presently, more issues are coming in front of government regarding SEZs, which is new direction for researcher to analyse & research in depth for getting better result. However sincere efforts have been made by the researcher to make the study potentially meaningful which will serve as a milestone for further studies in the field. SEZs are drastically engaged in improving economic activity in the country with certain challenges that need to be addressed. Researcher can find those prospected challenges and made meaning full research. No detailed research had been made on adverse effects of SEZs on natural resources & environment. Excessive use of resources increase deforestation and environmental pollution putting increasing burden on natural resources and environment causing ecological imbalance. The distribution of SEZs is highly uneven across the economic sector as well, leading to disproportionate growth of economic activities in the host country. In India majority of SEZs are IT related, which is not an indicator of sustainable all-around industrial growth. India’s performance in manufacturing industry remained comparatively poor and the government was not successful in directing FDI in diversified industries which could strengthen the national economy.

Future research could examine more SEZs of Gujarat state with more diversified sample in the research. Future researchers could use quota sampling across the different income groups, gender and age categories. This study was attempted to cover overall aspects of SEZs, there may be certain aspects that may have been ignored or that may become relevant as new trends will come developing of SEZs. Lastly, the objectives of this research were fully met, but these are related to only two sectors namely IT & multiproduct in SEZs. Anyway, this drawback creates opportunity for future researchers in this or other area by investigating same as well as different dimensions in SEZs.

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