ABSTRACT

INTRODUCTION:

In the mid sixties the History of SEZs in India suggests that the seeds of the basic concept of Special Economic Zone (SEZ) were sown. Then the basic model of the present day Indian Special Economic Zone was structured with the establishment of the first Export Processing Zone (EPZ) at Kandla in the year 1965. Several other Export Processing Zones were set up at various parts of India in the subsequent years. The lack of good Government of India economic policy and inefficient management soon became the detrimental factors for the success of these Export Processing Zones. Thus, the performance of these Export Processing Zones of India fell short of expectations. The modern day Special Economic Zone came into existence because the economic reforms incorporated in the early 1990s did not resulted in the overall growth of the Indian economy. The SEZ policy of India was devised to act as a catalyst to promote the economic growth attained in the early 1990. The economic reforms incorporated during the 1990s did not produce the desired results. The Indian manufacturing sector witnessed a sudden dip in the overall growth of the industry, during the second-half of 1990s. The Special Economic Zones (SEZs) Policy was announced in April 2000. This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations. The Special Economic Zones Act, 2005, was passed by Parliament in May, 2005 which received Presidential assent on the 23rd of June, 2005. After extensive consultations, the SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February, 2006. But India’s Special Economic Zones (SEZs) have been shrouded by controversies. There are number of issues like the acquisition of land and the process for determining compensations, financial viabilities of SEZs have been under the scanner with certain zone developers contemplating exits due to poor economic prospects, criticism for having a myopic vision on urban management and constitutional identities of the zones etc. and on the other side there is increasing share of export, employment and investment through SEZ in India. In this twofold impact it is need to examine Problems and prospectus SEZ in India. And also
find the answer of Can SEZ continue as a part of Industrial and economic development?

In this context the main objectives framed in this study are

1. To review the origin and development of SEZ policy in India
2. To evaluate the performance of SEZs in India
3. To assess the impact of SEZ on Export and Employment
4. To examine the problems and prospectus of SEZ policy in India.
5. In the light of the findings of the study, to suggest future steps that helps to amend the SEZ policy.

Exploratory study is used in this research that helped to formulate a research problem for a precise and structured investigation. As we know that the concept and policy of SEZ introduced in India and implanted since 2005 after 15 years of the economic reforms. It was challenge to promote development zones through the Free Trade Zones (FTZ)/Export Processing Zones (EPZs) in India. The present SEZs policy came into existence as a part of the recommendations of the Export Import (EXIM) Policy 1997-2002. And it is executed by converted existing EPZs into SEZs. This helps to build the SEZs network in the country. The main aim of the policy is to promote exports and to give priorities to economic reforms. To study the variations in performance across the zones and to analyze the impact of the SEZ policy the researcher has selected the seven conventional zones (EPZs) for the study. On the basis of conventional EPZs and Geographical locations the seven EPZs which are converted in to SEZs are randomly selected such as KANDALA, SEEPZ, NOIDA, MEPZ, COCHIN, FALTA, VSEZ. The data related to the above selected zones is collected through informal interviews with the government officials and SEZ developers and tenants by using facilities of Internet/Phone/Facebook etc. Secondary data is collected from the published data from the various publications of the books, Journals, and report of central, state and local governments and various organizational institutions etc. The data analyzed by using simple statistical tools and techniques such as Averages, Percentage, Ratio, Growth rate, Trends etc. In making and presenting this study, some limitations are not ignored such as the study is confined for the period 2005-2013. The performance of the institutional agencies will study for this period only. But in case of the responses received most of the information is related to concern year and most of the figure were
the estimates made by the respondents which may be consider as major limitation of the study. The entire work of the study is coached in to six chapters.

PROBLEMS OF SEZS:
India’s Special Economic Zones (SEZs) have been shrouded by controversies. The researcher found the following problems that have been facing SEZ in India such as

- The first and foremost problem before SEZ is regarding the acquisition of land. The biggest challenges faced by SEZ’s in today’s scenario are the taking away of agricultural land from the farmers.
- The data analysis about employment generation revealed that there is problem of employment generation throughout the country. The data analysis regarding employment generation in the chapter III and chapter IV of the study clearly revealed that the size and category of employment generated in the IT-ITES sector in Tamil Nadu, Karnataka, Andhra Pradesh, and Punjab. In Maharashtra and Gujarat, it has been predominantly multi-products and services. The eastern region has been lagging in this respect. It is also found that the scope for the displaced farmers being given jobs by the SEZs themselves is limited because they do not possess the required skills. Also more than two-thirds of the notified SEZs are located in five States — Andhra Pradesh, Tamil Nadu, Maharashtra, Karnataka, and Gujarat — which account for more than 90 per cent of the investment made and 83 per cent of the employment generated. So the employment generated in certain areas certain sector of the country.
- The economic downturn and poor export prospects have forced several SEZ developers to put their projects on hold or seek exits. SEZs involve substantive fixed costs in the forms of land acquisition and development of internal infrastructure. Given the high costs, many zones are becoming financially unviable. The situation is also becoming more complicated with developers facing difficulties in raising finance.
- The tax incentives extended to SEZs may lead to a loss of four to five per cent of the total tax revenues. "The (SEZ) policy is yet to be fully tested, especially with regard to the potential adverse impact on tax revenue and an increased disparity in development across regions. The aspect of SEZs is thousands of
crores of revenue have been forgone due to tax holidays granted to SEZs. A tax revenue loss of Rs1.06 trillion from SEZs for 2005-2010. This included Rs57,531 crore as direct tax, Rs29,700 crore as customs duty, Rs10,368 crore as excise duty and Rs8,813 crore as service tax revenue. In a proposed direct tax code, it has also recommended to do away with most tax incentives to SEZ developers and units.

- Another important dimension pointed out by analysts in several leading business dailies is diversion of exports from DTAs to SEZs. In other words, the rapid increase in exports from SEZs has been accompanied by a drop in exports from non-SEZ areas, indicating a possible shift of units from outside SEZs into SEZs -- a trend that merits serious investigation.

**PROSPECTUS OF THE SEZ:**

The SEZ’s are important in today’s context for the third world countries which have been in the race for rapid economic growth. There are many positives which emerge out of establishing an SEZ.

- **Funds from SEZs** - The government requires huge amount of funds for the development. 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.

- **Overall Development** - SEZs are known as export zone area where investment is attracted manufacturing and services are created and with the help of these two parameters Employment will be generated. Thus overall development is possible if the SEZ policy implemented efficiently all over the country in all sectors.

- **Opportunity to the Landlords / Framers** - Clearly, those who will benefit or lose from the SEZs will be different sets of people. Those who will be displaced by the SEZs will be the rural people and those who will come in their place will be the skilled urban people. It is true that those who lose land will get “market prices” (according to the government) for their land and theoretically will be able to invest their money in other businesses. Thus,
theoretically, not only in the SEZs but the new investments by the former agriculturists would create new non-agricultural jobs and all this maybe expected to lead to a reduction in the rate of increase of unemployment which has accelerated in the last 6 years. It is said that agriculture cannot create jobs anymore and these jobs have to be created in non-agricultural sectors.

**SUGGESTIONS:**

On the basis of data analysis and observations drawn in this study the following fruitful suggestions are made by the researcher

- India may adopt inclusive policy while approval to set up SEZ units. Inclusive means to encourage all sectors of the economy. Government should consider promoting SEZs in various sectors like Multi product, Multi services, Agro, Biotech etc. that has potential of creating more employment.
- The problem regarding land acquisition may solve permanently. For that purpose both Central and State Governments adopt transparent land acquisition policy.
- The NGO and Media may allow to focuses the issues regarding Land acquisition for SEZs
- The developed irrigated land and fertile agricultural land should be excluded while selecting the location for SEZs. For that purpose state and regional level scientific committee should appoint.
- The developers of the SEZs should be encouraged to set up SEZs in backward and underdeveloped area of the country.
- To reduce the communication gap regarding government is supported to SEZs developers.
- The central and state government should encourage the development of SEZs in the underdeveloped region and also in the area where wasteland or single crop land is more than other areas.
- Sufficient provisions regarding infrastructural services like water, power, transport, communication etc. should be made in SEZs campus.
- Efforts should be made to Attract FDI in the SEZs for development of processing and non processing area.
• The central as well as state government should provide sufficient administrative support to SEZs that it makes an engine of export promotion in the country.

• It is necessary to make Environmental Impact Assessment mandatory to all SEZs.

• There is need to aware the all stakeholders about ill effects of the SEZs.

• The government should ensure that the Corporate Social Responsibility be the main thrust of any SEZ.

• To erase the statement that SEZs are the zones that sifts from agriculture to Industry.

• At last the policy holders may consider the socio-economic aspects like export, employment, investment, poverty eradication, environment, land issues etc. while framing the SEZs policy in future.

NEW STRATEGY FOR FUTURE SEZS:
The following steps are need of the time to sustain the policy and implementation of SEZ in India

• **First Step** – Acquisition of Land - There is needed to acquire fallow ground instead under fertilizer lands.

• **Second Step** – Return against Land Acquisition - The farmer or owner of the land should properly rehabilitation and give them rational cost of their lands.

• **Third Step** – Transparency - The government may decide transparent and permanent rules and regulation for acquisition of land for SEZ.

• **Forth Step** – Interference - The political interference and participation may avoid

• **Fifth Step** – Audit - The objectives mentioned by SEZs units like purpose of land acquired, activities or operations being taken etc. should be examine frequently.

• **Sixth Step** – Employability – The SEZ units may be productive and produce more employability

• **Eighth Step** – Exportability – The SEZ units should emphasis on how to increase their export in the form of goods and services

Thus study suggests that the SEZ policy is likely to be more successful when the above seven steps adopted by the policy holders and the SEZ units in India