Chapter Six

SUMMARY AND CONCLUSION

6.1 Introduction

6.1.1 Many SEZs have mushroomed in the country ever since SEZ Act 2005 and are at the various stages of growth and development. Some have In-principal approval while others are notified or formally approved. SEZs are geographical region with relaxed economic rules so as to enhance production and make it internationally competitive. The successful integration of these zones into the regional context will have great positive impact on the overall economic development of the country. It seeks to accelerate increased economic activity by developing world-class infrastructure and supporting the development of linkages and infrastructure around the region. Most of the SEZs are located in close proximity to the major transportation networks (airports, seaports or railways) and they have strong linkages to the domestic and international economies.

6.1.2 Indian SEZs are unique in a way that in all other countries where SEZs are functional the onus to provide world class infrastructure facilities is with the government for the international investors but in India for the first time Government has entrusted the responsibility to the private developers or jointly operated with the government. In most of the countries SEZs are preferred in the coastal areas while in India not only coastal states but landlocked locations for SEZs have also been sanctioned.

6.1.3 SEZ in India seeks to promote value addition component in exports, generate employment and mobilize foreign exchange. The SEZ project will catapult India on the world stage in terms of attracting global investment. 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, the Special Economic Zones (SEZs) Policy was announced in April 2000.
6.1.4 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.

6.1.5 The SEZ Act were formulated to generate additional economic activity, promote exports of goods and services; promote investment from domestic and foreign sources; create employment opportunities; and develop infrastructural facilities. It is expected that this will trigger a large flow of foreign and domestic investment in SEZs, in infrastructure and productive capacity, leading to generation of additional economic activity and creation of employment opportunities.

6.1.6 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

6.1.7 Various incentives and facilities have been offered to the units in SEZs for attracting investments into the SEZs some of which are: duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units; 100 per cent Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years; 50 per cent for next 5 years thereafter and 50 per cent of the ploughed back export profit for next 5 years; external commercial borrowing by SEZ units up to 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.
6.1.8 There are also major incentives and facilities available to SEZ developers which 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); as well as exemption from Service Tax (Section 7, 26 and Second Schedule of the SEZ Act, www.sezindia.in).

6.1.9 With so much focus on economic growth, other associated aspects such as development and welfare also need to be taken care of. Indeed, market economy must be combined with social responsibility in order to create long term growth, stability and full employment.

6.2 Summary of the Study

6.2.1 Some might argue that every development has a price associated with it, but the question really is about the efficiency with which a government will be able to balance the cost and benefit. It is vital that we look at this question in the context of the land grab, forceful evacuation, population displacement and resettlement, and unfair land deals and compensation that have recently mired Indian SEZs in controversy.

6.2.2 The study made a modest attempt in this regard with its objectives; firstly, to analyse the various categories of land capability of areas earmarked for SEZ; secondly, to compare the structure of processing and manufacturing units and study the sites that are preferred for establishing SEZ and lastly, to evaluate the socio-economic condition of the people alienated from land which is earmarked for the development of SEZ. Keeping in view these three objectives and going through the extensive as well as exhaustive literature from various secondary sources, two hypotheses had been developed. The hypothesis being that since the land capability has not been the criteria for the choice of the land
for SEZ it is posited that SEZ will include land with very low to very high capability and farmers alienated from their land may be classified into two types; those who use the compensation for the further investment and others who have retained it for their consumption needs. The large part of the data relating to the objective one, two and hypotheses one had been collected from the secondary sources while the data for the third objective and second hypothesis were generated from the field work.

6.2.3 In Chapter One, flow charts have been put up to describe the three tier structure of SEZ and also the procedure for project approval. In Chapter Two (Land capability of area earmarked for SEZs), a land capability map prepared by NATMO was scanned and digitised with five main categories of land capability selected broadly as very good land, good land, moderately good land, poor land and land with severe limitations. These were then overlaid on a district map of India through Arc View GIS. Only those districts were considered which have SEZ. To this map, type and size of area devoted to SEZs were studied and a table was prepared so that a comparison is possible. Also, chapter two deals with the second objective that is to compare the structure of manufacturing and processing units and study the sites that are preferred for establishing SEZ. For representing the results diagrams, maps, tables and flow charts have been used. In Chapter Three; Emerging concerns associated with SEZs numerous journals, books, papers, articles, newspapers, reports, online-readings, websites, Google news alert update had been meticulously read and had been categorized under various sub-headings to get an overview of all the problems and the intertwined cause and effect. For Chapter Four; Impact of SEZ development on villagers’ socio-economic set up: a micro-level study a structured questionnaire was prepared to interview the village headman and the respondents of respective villages that includes Nalgadha and Dallupura (NOIDA, U.P.) and Khandsa and Mohammadpur Jharsa (Gurgaon, Haryana). The choice of village was done keeping in mind that NOIDA already had an experience with EPZ and now SEZ but experience with SEZ is new for Gurgaon. At least hundred respondents have been covered from these four villages through purposive sampling method and care
had been taken to include four different types of respondents (i.e., twenty-five from each category). These four types of respondents were first, those whose land had been acquired second, who have sold their land to private developers, three, those who have neither sold their land nor has it been acquired by the government and fourth, who do not own any land i.e. landless labourer. The socio-economic profile of the villages have been described and diagrammatically represented. Also, a Weighted Scale Method has been used to analyse the satisfaction level on compensation of the respective villagers. A five point scale has been used with classes like completely satisfied, satisfied, marginally satisfied, unsatisfied and completely unsatisfied. Ten questions were prepared for the sub-heading satisfaction with compensation amount under the main questionnaire and alternatives marked in descending order from best to worst for the four villages and then their score was calculated to bring out a comparative assessment. Mean Composite Index had been calculated for the infrastructure development and standard of living of the respondents of the study area of the sample villages.

6.3 Findings of the Study are;

a) On analysis of the various categories of land capability areas earmarked for SEZ, the study found that land capability has NOT been an input for setting up of SEZ. SEZs have been established in land with very good capability to land with severe limitation. The area dedicated to land with very high capability is less than the rest of the categories of land capability. Andhra Pradesh, followed by Maharashtra, Gujarat and West Bengal are the states that have dedicated very high capability of land to set up SEZ. The larger area of land capability category of good land is used in the state of Andhra Pradesh, while that of good land and moderately good land is used in Maharashtra. Poor lands are used to a larger extent in Maharashtra. The land capability area of land with severe limitation is used largely in Andhra Pradesh followed by Maharashtra, Rajasthan and Gujarat. States like Kerala, Haryana and Rajasthan have not used either very good land or good land to set up
b) On studying the state-wise distribution of SEZs under the category of formal approval, In-principle approval and notified approval, the study found that the highest number of notified approvals is in Andhra Pradesh, Maharashtra and Tamil Nadu. In the near future these states will also have highest formal approvals as land has already been demarcated for setting up of SEZs. Further, In-principle approvals are high in Maharashtra, Tamil Nadu, and Haryana. These states need to demarcate land for setting up of SEZ as other formalities have been successfully finalised.

c) A sense of regional disparity is conspicuous when one compares the Per Capita Income of the states and the relative number of SEZs in them. Here again, Maharashtra tops the state followed by Haryana, Karnataka, Gujarat and Tamil Nadu. States that have low in Per Capita Income have no SEZs like Bihar, Assam, Arunachal Pradesh to name a few. In Chhattisgarh and Jharkhand the SEZ development has been minimal with only 3 and 2 SEZs respectively.

d) There has been a coastal site preference throughout the world for establishing SEZ, India too is no exception. But unlike other countries India does not have a policy of confining SEZ only to coastal areas. Landlocked areas are also preferred only if they have strong business advantages like that in Haryana, Uttar Pradesh, Madhya Pradesh and Rajasthan. Poorly developed linkages between the coast and that of hinterland are the main reason for coastal preference.

e) The study found that there is a directional (e-w) bias within the coastal land in the selection of site for SEZ. Western coast which is industrially, commercially, functionally and operationally more developed is preferred than the eastern coast. The total number of SEZ is marginally high, these being 392 for western coast and 349 in eastern coast.
f) When a region-wise share of formal and informal SEZs were computed, it was found that highest percentage of formal approval are in southern and western region which includes Maharashtra, Gujarat, Karnataka, Tamil Nadu and Andhra Pradesh. These states have been the part of the service boon in the country. They are also industrial and technological hub of the economy simultaneously with a deep and wide manufacturing base. In-principle approvals are high in north and west region, with Haryana (17) topping the list and followed closely by Rajasthan (11).

g) State-wise distribution of SEZs according to land area reveals that of the various size of land earmarked for setting up of a formal SEZ, the highest numbers of SEZs have been located in the category of 11 to 100 ha of land area. The type of SEZs includes footwear, electronic hardware, software, food-processing etc. The land area class of 101 to 1000 ha is the second preference used for setting up mostly port based multi-product SEZ.

h) State-wise distribution of SEZs (In-principle) according to land area classes reveal that only Kerala and Karnataka have land area requirement of 1-10 ha. Of the 15 states that have been sanctioned In-principle approval, 12 require land of 101-1000 ha. Also, Haryana, Maharashtra, Rajasthan and West Bengal have a demand of land area in the category of 5000 ha and above.

i) State-wise land area dedicated to formal SEZ shows that large land area is required by Gujarat i.e. 1 million hectares for setting up 49 SEZ, Maharashtra 13,000 hectare for 104 SEZs, Andhra Pradesh 12000 hectare for 99 SEZs.

j) State-wise land area dedicated to In-principle SEZs shows that Maharashtra has the highest land area requirement of 28000 hectare followed by Haryana (27000 ha) and Rajasthan (9982 ha) respectively. Chandigarh, Delhi, Dadar & Nagar Haveli, Goa, Jharkhand, Nagaland,
Pondicherry, Uttaranchal do not have any In-principle approval so they will not require land in immediate future for establishing SEZ.

k) On comparing relative land area and relative number of SEZ the study found that Maharashtra has a relative rank of two in land area and one in relative number of SEZ i.e. it has the second highest area under SEZ and highest number of SEZs. While Gujarat has highest land area dedicated to SEZ but their number is less than that of Andhra Pradesh, Maharashtra, Tamil Nadu and Haryana.

l) Sector-wise distribution of SEZ reveals that ITeS (Information Technology enabled Services) followed by others and biotechnology form the highest percentage of formal approvals while others followed by ITeS and multi-product forms the highest percentage of In-principle approvals.

m) Comparison of the number of IT/ITeS/Biotech with that of manufacturing SEZs in the states reveals that highest numbers of processing units are in states of Maharashtra, Andhra Pradesh, Karnataka, Tamil Nadu and Haryana. Delhi has only processing unit and no manufacturing unit. Highest numbers of manufacturing units are in Maharashtra, Gujarat and Tamil Nadu. Himachal Pradesh, Jharkhand, Nagaland have manufacturing units and no processing units. Pondicherry has neither a processing nor manufacturing units.

n) Comparison of area devoted to processing and manufacturing units underline that manufacturing unit would require larger area than processing unit. The numbers of processing units are so many that sum total of their area is only marginally lower than that of manufacturing units. Maharashtra is exclusive in having the highest processing as well as manufacturing units.

o) Number of IT/ITeS/Biotech SEZ and area covered when compared point that Maharashtra, Andhra Pradesh, Karnataka, Haryana and Tamil Nadu form the IT hub but the land requirement of Tamil Nadu is highest compared to that of any other state with processing area.
p) Sector-wise distribution of SEZ in Gurgaon and NOIDA shows that different sector of SEZ have been set up in Gurgaon, ranging from IT (60 per cent), electronic hardware and software (18 per cent), multi-service SEZ (8 per cent), while that in NOIDA only IT or ITeS are established.

q) For the third objective (to evaluate the socio-economic condition of people alienated from the land which is earmarked for the development of SEZ ) and second hypothesis (farmers alienated from their land may be classified into two types: those who use the compensation for the further investment and others who have use it for their consumption needs) Nalgadha and Dallupura villages (NOIDA) and Mohammadpur Jharsa and Khandsa villages (Gurgaon) are the sample villages selected to understand and compare the socio-economic condition before and after alienation of land, compensation issue and future concerns of the people alienated from their land. Due to acquisition of the land, farmers have lost their sole economic support. Majority of them are not literate leaving them adversely affected with no alternative occupation in hand. Further, the economic condition of landless labourer or share croppers who shared the produce on the basis of batai has worsened. They have lost their jobs and are looking for work as guards or peons or other manual work like domestic help etc.

r) Land detail; Most of the land is owned by the villagers and only a smaller percentage is on lease. The respondents of the villagers own land ranging from 1 to 10 hectare. A very small percentage of the farmers have land running in 50 hectare and more. The land that has been acquired was a fertile land with double cropping pattern being practiced by the villagers. Bajra, Jowar, Rice, Sugarcane, Maize in the Kharif season and Wheat, Musturd, Gram in the Rabi season. On studying the land details the findings of the study were that in all the villages there had been land acquisition and also land was sold by the farmers themselves for their own personal reasons to the private firms.
There were a few respondents who had neither sold the land nor were their land brought under the notification of area earmarked for SEZ. The land acquisition took place at different times in the respective villages of Khandsa, Mohammadpur Jharsa, Nalgadha and Dallupura. In Khandsa major land acquisition took place in 1991-92 by the Haryana government (HUDA) at a rate of rupees 2.48 lac per acre. Again in 2006-07 land was acquired at the rate of rupees 15 lac per acre for the purpose of establishing SEZ in the region. In Mohammadpur Jharsa, land was acquired in the year 2006 and farmers were given a compensation of 12.5 lac per acre. A few landowners got a price of 15 lac per acre depending upon their location of land in the village. In Nalgadha village, notification by the government has been met with resistance and the matter is pending in the court. So for those farmers whose cases are sub-judice the land cannot be put to any activity or use. In Dallupura village, land was acquired in 1993-94 at a rate of rupees 3,29,700/bigha. But for the villagers who have sold their land recently the amount of compensation has increased to 8 lac/ bigha. This has arisen a lot of unrest especially amongst the farmers whose cases have been pending in the court. There is also a considerable interest among the political parties also because of their alliance to particular private firm. Some of the farmers have willing sold their land to the private developers to settle their debt and also to invest in other alternative occupation in which their family is involved in. The farmers whose land have neither been acquired nor they have sold to the private firm in hope of higher return with time have also received notification from the government as their land is contiguous to the land for which planned development of SEZ is already formalized.

s) Findings of the compensation concern and its consumption in the study area: The compensation received in all the villages so surveyed has been almost the same. There were assurances given to the farmer on improvement of infrastructure facilities of their villages like construction of roads, proper sewage etc., improved health care
facilities and an assured job opportunities in the SEZs. While the government has partially fulfilled the promise of providing jobs in the SEZ by offering jobs like guard, peon, it has failed on other counts. Land owners whose land has been acquired by the government are also getting an annual payment of rupees 30,000 to 33,000 per annum by the government. This would continue for the next 33 years. Due to the acquisition of the land, farmers have lost their sole economic support. Majority of them are not well literate leaving them adversely affected with no other alternative occupation in hand. Further, the economic condition of landless labourer who did not own the land rather worked on others land and shared the produce on the basis of $batai$ has severely worsened. Now they do not have assured food grain availability. They have lost their jobs and are looking for work as guards or peons or other menial jobs like domestic help etc. Therefore, both the owners and workers are affected by the acquisition. Land acquisition took away the primary source of employment and livelihood from the owners. To ensure their livelihood farmers have constructed building with several rooms and given them on rent thereby ensuring a regular income.

With the loss of land and no scope of employment opportunities the landowners have used the compensation money to construct small building and have rent them to the labourers like tailors, washmen, industrial workers, salesmen etc. Most of the respondents have purchased land in Alwar, Rewari, Jhajjar etc. Though they cannot manage land in other far away districts they give it to the share croppers in the agricultural season and receive their share of crops. The case has worsened for the labourers who have been working as agriculture labourers in these lands. With no money and now no land their condition has deteriorated. The village people are mostly unskilled workers with no formal training or workshop or a programme by financial advisors on their compensation management has been conducted by the government.
u) Score/ Weightage Scale Method had been used to analyse the satisfaction level of the respondents of the four respective villages. The study found that for the Nalgadha village the score weightage method calculates to satisfied (40-50), but for Dallupura village the score is marginally satisfied (30-40) and that for Khandsa and Mohammadpur village is least satisfied or unsatisfied (20-30). The reason given by the respondents vary from village to village.

v) Further various broad categories of compensation invested had been formed to study how and where the compensation has been spend by the respondents of the respective village. The study found that the compensation has been seen differently by different villagers according to their standard of living, need and future security. Surprisingly none of the respondent in the study area has invested in any saving schemes. No money has been kept in the bank saving/current account, any fixed deposit /recurrent deposits, PPF, or even in any shares or mutual funds. They have not even been contacted by any financial investment manager from the government, no workshop or classes conducted so as to start any small enterprise. The role of the purchaser whether a government acquired or private developer has been only to buy the land without any social obligation towards the people. People have consumed the available compensation amount mostly to reconstruct their home, extend rooms in their house, for marriage arrangements in the family, repayment of debts and also for purchasing household items and luxury items like cars.

x) It is unfair to expect poorly skilled (farmers skilled only farming) to transit to other business. Compensation in cash would be inadequate to start a new venture with the number of risks involved.

6.4 The study has covered certain concerns, raised various questions also and in doing so have also attempted to provide some modest suggestions. Still, many questions remain unanswered. With Master Plan 2021 and 2031 already in circulation with SEZs marked prominently for the near future
what would be the relationship of farmers with their land? Changing land use will create a newer socio-economic fabric for the villagers. How long will it take them to adapt and adjust to this? Without proper compensation investment planning, will the finances be secured for the time to come or will lead to another struggle?