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OBSERVATIONS AND SUGGESTIONS OF THE STUDY

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OBSERVATIONS AND SUGGESTIONS OF THE STUDY

VI.1 INTRODUCTION:

The researcher has elected seven zones for the study. These seven zones are located in the East-West, South North. They conventional are the sample representatives of different States exposed to different institutional systems and industrial cultures. Moreover, a few of these conventional zones are located in developed States and other in underdeveloped and backward states too. The Special Economic Zones (SEZs) are playing very important role in the process of economic development in India. But there is debate and critics regarding contribution of SEZs in the Indian Economy and the working performance and policies. On the basis of reviews of literatures and data analyzed in the chapter I to V the observations drawn as under

- The effective way of attractive investments was EPZs across the world. There were 131 countries and territories in the world operating more than 1300 Economic Processing Zones, up to 2007.
- The Private sector was allowed to play a more active role in developing SEZs with or without government participation. During 2000-05, approvals were given to set up 26 SEZs it became 934 in 2014.
- The main objectives of setting up SEZs evolved from promoting trade and generating employment to attracting advanced technologies, stimulating economic activity, and diversifying export baskets.
- The Exports from Indian SEZs were Rs. 2.2 Trillion in the financial year 2009-10. It grew by a stupendous 43 per cent to reach Rs. 3.16 Trillion in the financial year 2010-11.
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Observations and Suggestions of the Study

- In the form of employment, Indian SEZs have created over 840,000 jobs during 2010-11 whereas during 2011-12 investments worth Rs. 2.02 Trillion have been made.
- Exports of Indian SEZs have experienced a phenomenal growth of 50.5% for the past eight financial years from a meager US$ 2.5 billion in 2003-04 to about US$ 65 billion in 2011-12 (accounting for 23% of India’s total exports).
- Exports from SEZs rose almost 30 per cent to $88 billion in 2012-13, from $68 billion the previous year. These were up 17 per cent in 2011-12, compared with $58 billion a year before.
- The highest SEZs are in Andhra Pradesh i.e. 152 of which 36 are operational and 116 are operational followed by Maharashtra are 137 of which 18 operational and 119 are approved.
- In the Phase IV it is registered a quantum jump in average annual exports of Rs.120278 million (2000-05). The overall growth rate of exports during the period 1966-2005 is estimated at 45 percent.
- The exports from SEZs as well as from India increased rapidly during the period 2000-01 to 2011-12. However, it is seen that there is variance between the growth rate of total export in India and SEZs growth rate. As variance t value is -2.173
- The performance of SEZs in India in terms of their share of exports in the total exports of India appears to be good.
- Gujarat alone contributed 42.84 percent share in total SEZs exports. This was followed by Tamilnadu (14.87 percent), Karnataka (11.10 percent), West Bengal (7.91 percent), Maharashtra and Karnataka (7.50 percent each). The Shares of other states in total SEZs exports were very low ranging between 0.03 percent and 3.48 percent during the period under reference.
- Five sectors contributed 93.72 per cent of the total SEZs exports in 2010-11.
- So far as export performance concern export of EPZs/SEZs in India has shown steady improvement, including acceleration since the year 2000. From a mere
0.027 percent in 1966-70, the share of exports from SEZs in total exports has increased to 5.01 percent in 2005-06.

- Employment is increasing - more than double since 2000.
- During the period between 1985-86 and 2007-08, the average growth rate of imports was 18.30 per cent.
- As on 2006, the employment in newly notified SEZs stood at 134704 persons that became 844966 people in 2012.
- Thus economic activity in those SEZs that came into force between 2006 and 2012 grew several times in terms of employment.
- In 2006, private investment in SEZs was about Rs. 2,235 Crores, of which the foreign component was about Rs. 600 Crores.
- The economic activity in those SEZs that came into force between 2000 and 2005 grew several times in terms investment. The investment increased more than 4 times from 17,561 crores to Rs. 67,943 crores. Interestingly, matured central government zones also witnessed a robust increase in economic activity after the Act was enacted.
- Total investments in SEZs rose to $44 billion in 2012-13, compared with $43 billion the previous year.
- The total investment in SEZs would be Rs. 60,000 Crores and one million additional jobs will be created. As of March 31, SEZs had generated 1,074,904 jobs.

**SANTACRUZ ELECTRONIC EXPORT PROCESSING ZONE (SEEPZ):**

- Santacruz Electronic Export Processing Zone (SEEPZ) was set up on 1st May, 1973 as unit-product EPZ exclusively for manufacture and export of electronic items in an area of 100 acres of land leased through the Maharashtra Industrial Development Corporation (MIDC), Andheri (East), which over the years has become a landmark of Mumbai. The Zone commenced its operation in Sept. 1974 with five units commencing exports.

- In April 2000, SEEPZ was one of the three Export Processing Zones converted as Special Economic Zone w.e.f. 1st November, 2000.
• At present, there are 350 units in operation in the zone. (2012)

• The total direct employment in the zone is approx. 85,000 persons. (2012)

• The mean value of electronic software sector is 3289 crores which are more than other sectors export performance of SEEPZ whereas the Standard Deviation is also 3376.5.

• The growth trend of export from SEEPZ is increased from -6.47 per cent in 2007-08 to 14.10 per cent in 2010-11 and again decrease in 2011-12 to 8.85 per cent.

KANDLA SPECIAL ECONOMIC ZONE (KSEZ):
• The first Export Process Zone (EPZ) in India inaugurated on March 7th, 1965. Later converted into a Special Economic Zone in 2000

• The growth trend of export from KANDLA Special Economic Zone is increased from in the range of 8.60 per cent in 2009-10 to 15.17 per cent in 2007-08. It is also recorded the negative growth in 2011-12 i.e 1020 crore ( -31.76 per cent )

• There is increasing trend of direct employment in the KANDLA SEZ from 11.11 percent in 2005-06 to 14.85 per cent in 2011-12. It is evident from the above data analysis that the employment generated twice during the study period 2005-06 to 2011-12.

COCHIN SPECIAL ECONOMIC ZONE (CSEZ):
• The COCHIN Special Economic Zone (CSEZ) was originally started as one of the Export Processing Zone (EPZ) in India, and was later converted into a Special Economic Zone in 2000 as a multi-product Special Economic Zone located at Kochi, Kerala.

• The area of CSEZ is 103.0 acres.

• There are 160 operating units employing more than 15,000 people.
During the first year, i.e. 1986-87, the zone recorded a total export of Rs.94 lakhs, which grew to Rs. 120.31 Crores in 1995-96.

The liberalization of the economy from 1991 boosted the performance of the zone considerably. By the next decade, the total exports have grown to Rs. 696 Crores. By the year 2009-10 it became 30098 crores in 2011-12.

The ranking of Export performance CSEZ ranked third amongst all the SEZs in the country.

The COCHIN SEZ is mobilizing the investments both from domestic as well as from other countries.

The lowest level of investments by CSEZ was Rs 135.8 Crores is the year 2001-02 and the highest Rs 541.3 Crores was mobilized in the year and 2011-12. The total amount investment mobilized was Rs 3841.86 Crores and the average amount of investments mobilized was Rs 349.26 Crores. It can be conclude that the COCHIN SEZ is attracted investment.

The growth trend of export from COCHIN Special Economic Zone is fluctuating. It increased from 3.48 per cent in 2007-08 to 148.31 per cent in 2008-09 whereas decreased in the succeeding year by 48 percent and 5.2 per cent in 2009-10 and 2010-11. But again it increased by 67.37 per cent in 2010-11.

**MADRAS SPECIAL ECONOMIC ZONE (MSEZ):**

- MADRAS Export Processing Zone (MEPZ) is established in 1984 and converted in a special economic zone in 2003.
- The export turnover of MSEZ for the year 2006-2007 was Rs. 24,620 million, of which manufacturing sector accounted for 70 percent. Garments, software, and engineering products contributed more than 50 percent of the export value.
- As of 2008, software exports from the zone averaged Rs. 300 to 350 million per month.
- MADRAS Special Economic Zone established over an area of 98 acres, which was expanded with another 163 acres in 1987.
• Presently there are 114 units engaged in manufacture of electronic items, engineering goods, granite, rubber products, chemicals and allied products, gems & jewellery, textiles, leather goods and pharmaceuticals.

• The zone is headed by a development commissioner. Spread over an area of 265 acres (109 hectares), MEPZ SEZ is a multi-product zone housing 117 functional units. In addition, another 27 units are under various stages of implementation.

• The growth trend of export from MADRAS Special Economic Zone is positive throughout the years during 2005-07 to 2009-10. But it decreased by 66.64 per cent in 2010-11.

• The growth trend of investment mobilized by the MADRAS Special Economic zone is increasing during the period 2005-06 to 2011-12 except the year 2010-11.

• It is seen that the direct employment generated by the MADRAS SEZ is 5.77 times during 2001-02 to 2011-12. But the employment generated by MADRAS SEZ is decreasing year by year. It was 15.70 per cent in 2007-08 that reduced to 1.42 in 2011-12.

**FALTA SPECIAL ECONOMIC ZONE (FSEZ):**

• Located in West Bengal, FALTA SEZ started its journey in 1984. Previously, it was known by the name of FALTA Export Promotion Zone.

• The export of FALTA zone was 90.28 per cent in 2006-07 which became decreased to 2.10 per cent in 2008-09. It was -6.76 percent in 2008-09.

• The performance of FALTA SEZ is shown in the above table. The operating units increased from 30 units in 2005-06 to 101 units in 2012-13 i.e. 3.33 times.

• The investment mobilized from 229.95 crores in 2005-06 to 966.13 crores in 2012-13.

• The Employment generated in FALTA SEZ is twice during 2005-06 to 2012-13.

**VISAKHAPATNAM SPECIAL ECONOMIC ZONE (VSEZ)**
• VSEZ, formerly known as VEPZ, was established in the year 1989. Set up in a sprawling 360 acres of prime land in one of the fastest growing cities of India, Visakhapatnam Special Economic Zone.

• The growth of export fluctuating from 0.95 percent in 2007-08 to 72.44 per cent in 2010-11. There is negative growth trend of export in the year 2012-13 i.e – 48.44 per cent.

• The growth of investment mobilized by Visakhapatnam SEZ is in the range of 34.88 per cent to 74.58 per cent. It is need to attract more investment on the SEZ.

• The employment generated by the Visakhapatnam SEZ is stable during 2009-10 to 2012-13.

NOIDA SPECIAL ECONOMIC ZONE:

• NSEZ the only Central Government SEZ in the northern India was set up in 1985 in NOIDA.

• Exports from NOIDA SEZ in Northern India have increased from 21.57 per cent in 2006-07 but it decreased to -5.49 per cent in 2008-09 and -25.55 per cent in 2011-12.

• The employment generated by NOIDA zone is increased 41.54 percent in 2006-07 to 98.99. The employment growth decreased to -1.74. per cent in 2005-06. But after conversion of NOIDA zone in to SEZ the employment increased to 44224 in 2013.

OVERALL PERFORMANCE VARIATIONS OF SAMPLE ZONES:

• It has seen steep increase in the total number of SEZs notified and also number of exporting units since last decades.

• As on December 2013, 588 SEZs have been given formal approval, 49 SEZs are in Principal approval, 386 SEZs have been notified, and there are 173 SEZs functioning in India covering 61545 hectares have been granted.
• The formal approval given to the IT sectors i.e. 60 per cent and only 2 per cent of In-principle SEZ units.

• Only 4 per cent SEZ units of Multi Product is given Formal approval which is 34 per cent and others are 54 per cent as In-principle.

• The total zone wise number is increasing since last two decades. Mean value SEZs Units of SEEPZ Zone is 164 units per annum followed by KANDLA Zone is 142.25. Whereas, the mean value of SEZs unit of NOIDA zone is 124.63. But the Standard Deviation (SD) of NOIDA zone is 69.92 and SEEPZ zone is 58.13.

• KANDLA zone was the single EPZ in 1966 which generate employment for only 70 workers then in 1998 the zone became 08 which generated 95000 workers till 2000.

• It is seen that there was low growth of employment generating during 2000 to 2004.

• After conversion of EPZs in to SEZ there was rapid expansion in the SEZs. Total employment in the SEZ sector jumped to over 178000 in November 2006 from 158000 in March 2006.

• SEZs have generated reasonably satisfactory levels of employment which have gone from 70 in 1966 to 81371 in 2000 and to 336235 in March 2008.

• Though the share of SEZs in employment is increasing but the share in manufacturing sector since 1999 to 2008, their share in total manufacturing sector employment has remained less than 3 per cent.

• The main reason behind this is that the zone sector in India has remained very small and stagnant before the enactment of SEZ Act, 2005.

• But after the enactment of SEZ Act, 2005, the share of SEZ in total manufacturing employment is increasing. SEEPZ SEZ employs over 85000 persons, while NOIDA and MEPZ SEZs employ around 33000 and 29000 persons respectively. This has made an enormous impact on employment generation in the regions and around these SEZs.

• Average rate of growth employment generated by selected zones measured through arithmetic Mean shows that rate of growth is increasing after SEZ policy
than before SEZ policy’s employment generated. The mean value of employment generated by the selected zones before conversion of the zones in to SEZ is lower than after conversion of the SEZ. It can be conclude that the SEZs units are playing important role contribute to generate the employment.

- It is seen that area vacant in the seven selected processing zones out of total notified area is around 50 per cent in all zones except NOIDA SEZs notified area. Only 2.88 per cent of the notified area is vacant in NOIDA zone.
- Average rate of growth of total notified area measured through arithmetic mean. The average total notified area of the seven selected zones is 12543 hectares whereas average 34.06 per cent of the utilized land of these zones is vacant.

Thus It is concluded that majority of the notified area is vacant in the processing zones of the selected SEZs as on January 2014. The reason for this variation is problem do land acquisition policy and political interference.

- Out of the total notified area of selected SEZs around 60 per cent area utilized by the selected processing zones.
- NOIDA SEZ has utilized 98.50 per cent of the notified area followed by SANTACRUZE zone utilized 87 per cent notified area.

This indicates that there is need to land utilize efficiently to make the entire unit operative. That helps to promote export and generate employment.

- Engineering sector accounted for the largest share of exports during 1980 followed by drugs, electronics and textiles in that order. By the late 1980s, the share of engineering goods started declining. Currently it is around 5 per cent of total exports.
- The share of drugs also started declining in 1989 and fell from over 25 per cent in the mid 1980s to around 5 per cent by 1991. Decline in textile had been slow but steady. It declined from 15 per cent in 1984 steadily to about 7 per cent in 2002. In
contrast, exports of gems and jewellery rose rapidly. In 2002, they accounted for 42 per cent of the total EPZ exports.

- Electronics exports also grew faster than the overall zone exports. As a consequence, their share almost doubled from 20 per cent in 1984 to 40 per cent in 1997.
- Thereafter, it fluctuated and in 2002 stood at 33 cent. Exports of other products, including leather products did not show any perceptible rise. Currently, only two sectors, electronics and gems and jewellery account for three fourths of the total zone exports. In the electronics sector, over 50% of total exports are currently accounted for by software.
- The SEEPZ EPZ in Mumbai, NOIDA SEZ in Uttar pradesh account for about 21 and 32 per cent, respectively, of exports originating from all the Seven EPZs, followed by the Visakhapatnam, KANDLA and MADRAS SEZs, which are far behind and accounted for about 2-4 per cent of total SEZ exports in 2007-08.
- Although the share of the COCHIN SEZ in the Seven major SEZ’s exports is low, the growth of the exports of this SEZ over a period of time is significantly high (457 per cent in 2007-08 over the year 2006-07); this is in contrast to other SEZs which reported tremendous declines in their exports in 2007-08.
- The growth rate of exports from SEZs touched 67 per cent compared with an average of 15 per cent during 2002-03. Exports from the COCHIN and NOIDA SEZs have performed quite well during the years 2006-07 and 2007-08. Exports from all SEZs except SEEPZ and Visakhapatnam performed well during 2007-08.
- Exports from SEZs have been increasingly consistently since 2000-01. The calculated mean value of SEEPZ is Rs. 9136 crores which followed by COCHIN Rs. 7087 crores and NOIDA Rs. 6236 crores SEZs clocking the highest exports.

Thus it is observed from the above comparison that there is an increasing trend and wide variation of export performance among the seven selected zones. The standard deviation value of COHIN SEZ is highest as calculated in the above table i.e. 9890.9. But as compare
to highest mean value of SEEPZ its standard deviation is 2624.8. It is found that SEZs current exports are increasing mainly from the old SEZs which were converted from FTZs/EPZs. It can be concluded that the introduction of SEZ policy in the place of EPZs structure have had significant impact on exports earnings from these enclaves.

The total investment of FD in SEZs in India was Rs. 73335.69 crores in 2008. Out of which, 13.36 per cent related to central government SEZs, and 13.36 per cent was related to state/private SEZs established prior to SEZ Act. Whereas Rs. 5490.04 crore FDI in to notified SEZ established after SEZ Act, 2005. There was 74.84 per cent investment of FDI was in the notified SEZ after SEZ Act.

The share of FDI in total investment in SEZs is increasing in India but out of seven selected zones two zones are not attracted FDI after SEZ ACT 2005 i.e FALTA and VEPZ.

It is concluded that even though the share of FDI in total SEZ investment is below expectation, yet it is showing an improvement.
VI.3 SUGGESTIONS OF THE STUDY:

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.

VI.3 - 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