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## EXPORT PERFORMANCE OF SPECIAL ECONOMIC ZONES – AN ANALYSIS

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### Introduction

Special Economic Zones are playing a vital role in the socio-economic development of all over the world. This is a new concept adopted many countries particularly to promote investment and industrial development. Special Economic Zones denote geographical areas which enjoy special privileges as compared with non-SEZ areas in the country. The main emphasis to set up the Special Economic Zones are generation of additional economic activity, promotion of exports of goods and services, promotion of investment from domestic and foreign sources and to create more employment opportunities also to develop infrastructure facilities in the country. To uplift this scheme and to achieve the target of this scheme, Special Economic Zones Act, 2005 was passed by the Parliament in May 2005. SEZ rules came into effect on 10<sup>th</sup> February 2006 which provide drastic simplification of procedures single window clearance on matters relating to central as well state government, provide many incentives and facilities to the developers as well as to the unit's operating in the Economic Zones.

### Objectives

- To analyse the employment opportunities under the Special Economic Zones.
- To assess the export performance of these economic institutions.

### Employment Generation Under Sez

Employment generation has been the chief objective behind the development of these Zones. Special Economic Zones are viewed as highly effective tools for employment generation. Worldwide direct employment in

the SEZs has risen sharply in the last two decades from less than 2 million to 66 million in 2006 (ILO, 2007). According to ILO, the greatest number of jobs are created in China with 30 million employed in the SEZ Sector.

In Bangladesh employment were 624 in 1983 when the first zone was started in Chittagong which was increased to 1,44,000 during 2003-04. The SEZ created tremendous benefits in creating job opportunities even in Sri Lanka and Korea.

In Latin America SEZ activity is highly concentrated in Mexico, Brazil and Dominican Republic. Even the Central America, Costa Rica, Nicaragua and Honduras witnessed huge creation of employment opportunities. In the case of African countries, Mauritius, Madagascar, Tunisia, Egypt and to lesser extent Togo are some of the best examples in creating huge employment opportunities in the Special Economic Zones.

**Table -1 Direct Employment Impact of SEZs**

Region	Direct Employment (million)	Percentage of Region's Employment
Global	68.441	0.21
Asia and the Pacific	61.089	2.3
Americas	3.084	1.15
Western Europe	0.179	-
Central and East Europe and Central Asia	1.590	0.001
Middle East and North Africa	1.458	1.59
Sub-Saharan Africa	1.040	0.20

**Source:** World Bank 2008

With regard to the Special Economic Zones established in India is mainly to generate plenty of jobs to the local people. In 1966, the only operating Zone in India was the Kandla SEZ. The total employment in this zone amounted to 70 workers. The number of SEZs was increased to eight by 1988. As a result, the level of employment increased around 95000 in 1999. Thereafter the level of employment declined marginally. When SEZ Act was enforced in February 2006 since, then there has been a rapid expansion in the SEZ Sector. The total employment in the SEZ Sector increased to over 1,78,000 in November 2006 from 1,58,000 in March 2006 (Agarwal 2007).

According to Seth Associates (2007), 948 units are in operation in the SEZs providing direct employment to 1.10 lakh persons in India. The SEZs set-up prior to SEZ Act are providing employment to about 1.85 lakh persons of which about 40 per cent are women (Pillai, 2007). As on 31<sup>st</sup> March 2008, total number of units and employees in the SEZs were 1525 and 238242 respectively (Reddy, 2009).

**Table -2 Total SEZ Employment and Share in the Manufacturing Sector Employment in India between 1966 and 2003**

Year	Employment	Share in Manufacturing Employment (Per cent)
1966	70	-
1973	300	0.01
1980	6000	0.09
1990	35205	0.43
1998	77795	0.91
1999	84545	1.04
2000	81371	1.03
2001	95041	1.23
2005	100650	1.11
2006	134704	1.31
2007	280882	2.71
2008	336235	N.A

**Source:** Calculations are based on the data obtained from Ministry of Commerce & Industry Department of Commerce, Government of India; and Annual Survey of Industries 2008-09

**Note:** 'N.A.' stands for not available

With regard to the Special Economic Zones establish in India is mainly to generate plenty of jobs to the local people. In 1966, the only operating zone in India was kandla Economic zone. The total employment in this zone amounted to seventy workers. The number of economic zones was increased eight by the year 1988. As a result the level of employment increased around ninety five thousand the year 1999. There after the level of employment declined marginally when SEZs Act was enforced in February 2006. Since then there has been a rapid expansion in the SEZ sector. The total employment in the SEZ sector increased to 178000 in November 2006 from 158000 in March 2006 (Agarwal 2007)

#### Export Performance of Special Economic Zones

In India, SEZs are contributing a lot towards increasing export. It is evident from table-3 that the exports from SEZs are continuously increasing. These were of Rs. 8552 crore in the year 2000-01 and increased to Rs. 18309 crore in the year 2004-05, almost doubled as compared to the year 2000-01. But after the enactment of SEZ Act, 2005, exports from SEZ rose sharply which increased to Rs. 34615 and 66638 crore in the years 2006-07 and 2007-08 respectively. In the year 2008-09, exports reached to Rs. 99689 crore which were more than 11 times from the 2000-01 exports.

**Table -3 Export Performance of Indian SEZs Since 2000-01 to 2008-09**

Year	Value of India's Total Exports (in crore)	Growth Rate over Previous Year	Value of SEZ Exports (in crore)	Growth Rate over Previous Year	SEZ Export as % Share of Total Exports
2000-01	203571	-	8552	-	4.2
2001-02	209018	2.7	9190	7.5	4.4
2002-03	255137	22.1	10053	9.4	3.9
2003-04	293367	14.9	13854	37.8	4.7
2004-05	375340	27.9	18309	32.2	4.9

2005-06	456418	21.6	22840	24.7	5.0
2006-07	571779	25.3	34615	51.6	6.1
2007-08	655864	14.7	66638	92.5	10.2
2008-09	840755	28.2	99689	49.6	11.9
Average	429028-	19.7	34445	38.2	6.1

**Source:** Calculations are based on the data obtained from Ministry of Commerce & Industry, Department of Commerce, Government of India; and Economic Survey 2009-10, Government of India.

The value of India's exports and SEZ exports is continuously increasing. The value of India's exports increased from Rs. 203571 to Rs. 840755 crore during the period 2000-01 to 2008-09. During the same period, SEZ exports increased from Rs.8552 crore to Rs. 99689 crore. The SEZ exports increased at a rapid speed in comparison to India's exports. From 2001-02 to 2008-09 India's exports increased as an average of 19.7 per cent per annum, while SEZ exports increased as an average of 38.2 per cent per annum.

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 from 2001-02 to 2008-09 except 2002-03. There was tremendous increase in SEZ exports in 2007-08, which were 92.5 per cent over the previous year (Table-3).

Compound annual growth rates also presented a similar picture which were calculated for the same period i.e 2000-01 to 2008-09. As is evident from Table 5.10 that SEZs exports increased at the rate of 36.66 per cent per annum, whereas India's total exports increased at the rate of 19.70 per cent per annum.

#### Export Performance of Central Government Sezs

The inter-zonal comparison reveals that there is an increasing trend and wide variation of export performance among the seven central government SEZs are presented in table – 4.

**Table - 4 Export of SEZs Developed by the Central Government from 2000-01 to 2007-08 (Rs in crores)**

Year	Ksez	Seepz-sez	Msez	Fsez	Nsez	Csez	Vsez	Total Value
2000-01	527.9	5193.7	690.8	520.0	1034.2	304.3	219.1	7962.1
2001-02	476.0	5225.6	762.6	923.6	992.4	258.5	253.2	8891.1
2002-03	729.3	6083.0	819.1	512.4	1014.2	270.4	357.3	9785.7
2003-04	807.1	7833.3	1047.6	882.2	1534.1	321.8	436.0	12868.1
2004-05	1060.1	8298.6	1377.0	569.2	4266.0	463.03	579.3	16613.2
2005-06	1101.1	9192.2	2858.9	525.0	5670.7	696.0	612.7	19656.6
2006-07	1482.7	12047.7	2384.0	998.7	6893.0	802.7	749.7	25358.5
2007-08	1882.0	11264.7	3046.5	1026.3	16843.4	4471.0	741.3	39275.1
CGR (%)	21.1	13.9	25.1	5.9	52.4	39.0	20.8	25.0

**Source:** Offices of the Development Commissioners

**Note:** C.G.R- Compound Growth Rate

**KSEZ-** Kandla SEZ

**SEEPZ-** Santa Cruz Electronics Export Processing Zone SEZ

**MSEZ-** Madras SEZ

**FSEZ-** Falta SEZ

**NSEZ-** Noida SEZ

**CSEZ-** Cochin SEZ

**VSEZ-** Visakhapatnam SEZ

Table - 4 clearly reveals that exports from central government SEZs increased from Rs. 7962.1 crore to Rs. 39275.1 crore during the period 2000-01 to 2007-08. The compound growth rate of exports in these SEZs was computed 25.0 per cent annum during this period. But among the zones, the maximum compound growth rate was calculated in Noida SEZ (52.4 per cent per annum) and minimum compound growth rate of exports was estimated in Falta SEZ (5.9 per cent per annum) during the period 2000-01 to 2007-08. Amongst these zones, NSEZ was the largest exporter and VSEZ was the lowest exporter.

### Conclusion

Special Economic Zones in India over the past few years reveals that SEZs can be used as an important tool to attract foreign investment, promote exports and generate employment. The significance of economic zones in export promotional can be realised from the increasing trend in the value of SEZs Export. However the foreign direct investment in total special economic zone investment is very lower than the expectation. Yet, the working of special economic zones clearly showing an overall improvement in the economy.

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