

Role of Special Economic Zones in Export Promotion

Miss. Samreen Nizam Bagwan

Department of Commerce, Rajarshi Shahu Mahavidyalaya, Latur

ABSTRACT:

Special Economic Zones are one of the export promotion schemes of government of India. In our country Export Processing Zones (EPZ) or Special Economic Zones were started to boost the economic growth of the country by increasing exports and Foreign Direct Investment in the country. The Special Economic Zone is a geographical region which has liberal economic laws than a country's typical economic laws. SEZ is a mechanism of capacity development with a goal to promote economic growth by promoting export. In Asia, India was the first country to recognize the effectiveness of the EPZ Model in promoting export.

Keywords: EPZ, Zone, Export, Liberal, Economic Laws.

INTRODUCTION:

In India from 1st November 2000 to 9th February 2006 SEZ's functioned under the provision of foreign policy. A comprehensive draft of SEZ bill prepared in 2005. On 10th February 2006 the SEZ Act, 2005 came into force. The main aim of the SEZ Act is to accelerate the economic growth of the country through increasing export.

To attract foreign investment, SEZ provide an extensive range of incentives and tax exemptions for all those who invest in these zones. SEZ's are promoted as eco- friendly zones that will generate huge employment for newly urbanised India. By offering privileged terms, SEZ attract investment and foreign exchange, stimulate employment and boost the development of improved technologies and infrastructure.

REVIEW OF LITERATURE:

Abdul Raheem (2011) -Impact of Special Economic Zones on human development and poverty reduction: An Indian Experience. He concludes that the employment generation both direct and indirect, has been the most important channel through which SEZ have impacted on human development and poverty reduction in India.

OBJECTIVES OF THE STUDY: .

1. To know the objectives of SEZ.
2. To know the government incentives for SEZ.
3. To examine the impact of SEZs on export.
4. To know the problems of SEZ.
5. To make suitable suggestions.

METHODOLOGY OF THE STUDY:

The study is based on secondary data. Data have been collected from official website of Department of Commerce and Industry, RBI Reports and other published sources.

OBJECTIVES OF THE SEZ ACT, 2005

The main objectives of SEZ are:

1. Generation of additional economic activity.
2. Promotion of export of goods and services.
3. Promotion of investment from domestic and foreign sources.
4. Creation of employment opportunities.
5. Development of infrastructure facilities.

SEZs IN INDIA:

At present there are 234 SEZ's (as on 16th September 2019) operating throughout the India. The number of SEZ's operating in different states is given in the following Table No. 01.

Table No. 01 SEZ's operating in Different States

Name of the State	No. Of the SEZ's Operating
Andhra Pradesh	19
Chandigarh	02
Chhattisgarh	01
Gujarat	20
Haryana	07
Kerala	19
Karnataka	31
Maharashtra	30
Madhya Pradesh	05
Odessa	05
Punjab	03
Rajasthan	03
Tamil Nadu	40
Telangana	29
Uttar Pradesh	13
West Bengal	07

Source: www.sezindia.nic.in**GOVERNMENT INCENTIVES FOR SEZ TO PROMOTE EXPORT:**

The incentives and facilities offered to units in SEZ's for attracting investments into SEZ's, including foreign investment includes-

1. Duty Free Import /Domestic Procurement of goods for development operations and maintenance of SEZ units.
2. 100% Income Tax exemption in export income for SEZ units under section 10AA of the Income Tax Act for first 5 years, 50% of next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
3. Exemption from Central Sales Tax, Exemption from Service Tax. These have now subsumed into GST and supplies to SEZ's are zero rated under IGST Act, 2017.
4. Single window clearance for central and state level approvals.
5. Exemption from Minimum Alternative Tax (MAT) U/S 115JB of Income Tax Act (withdrawn w.e.f. 01.04.2012).

BENEFITS OF SEZ:

1. Direct Economic Benefits:	2. Indirect Economic Benefits:
I. Foreign Exchange Earnings.	I. Skill Upgrading.
II. Foreign Direct Investment.	II. Technology Transfer.
III. Employment Generation.	III. Demonstration Effect.
IV. Export Growth.	IV. Enhancing trade efficiency of domestic firms.

PROBLEMS OF SEZ:

SEZ plays a vital role in increasing industries, export and infrastructural facilities but following problems created by SEZ.

1. Revenue Loss

The government and RBI will be giving for free facilities to the entrepreneurs. It would create a burden on the finance ministry as tax collected would be less.

2. Increases financial Gap

In industrial area the government is transferring their responsibility to the SEZ holders. Due to this, the

gap of rich and poor will increasing.

3. Problem related to Environment

In SEZ area industries will mix unusable chemicals in the water and air and water and air pollution will be increased. The sound of heavy machinery in SEZ creating sound pollution, and environment will be imbalanced.

EXPORT PERFORMANCE OF SEZ:

In short span of thirteen years since SEZ Act and Rule were notified in February, 2006 formal approval have been granted for setting up of 416 SEZ's out of which 351 have been notified. And also physical exports from the SEZ's has increased from Rs. 5,81,033 crore in 2017-18 to Rs. 7,01,179 crore in 2018-19, registering a growth of 21%. There has been overall growth of export of 2,970% over past fourteen years (2005-06 to 2018-19). The total investment in SEZ's till 31st March 2019 is Rs. 5,07,644 crore approximately, including Rs. 4,75,693 crore in the newly notified SEZ's setup after SEZ Act, 2005. 100% FDI allowed in SEZ's through automatic routine.

A total of 232 SEZ's are exporting at present out of these 136 are IT/ ITES, 25 multi product and 71 other sector specific SEZ's. There are a total of 5109 units setup in the SEZ's

Table No. 02. Export from the Operational SEZ's

Years	Exports (value in crores)	Growth over previous year
2005-06	22,840	-
2006-07	34,615	52%
2007-08	66,638	93%
2008-09	99,689	50%
2009-10	2,20,711	121.40%
2010-11	3,15,868	43.11%
2011-12	3,64,478	15.39%
2012-13	4,76,159	31%
2013-14	4,94,077	4%
2014-15	4,63,770	-6.13%
2015-16	4,67,337	0.77%
2016-17	5,23,637	12.05%
2017-18	5,81,033	11%
2018-19	7,01,179	21%

Source: Annual Report 2018-19, Ministry of Commerce and Industry (Department of Commerce)

FINDINGS:

1. India was the first country to recognize the effectiveness of Export Processing Zone in Asia.
2. At present there are 234 SEZ's (as on 16th September 2019) operating throughout the India.
3. Tamil Nadu and Karnataka are the first two states with highest number of SEZ's are working i.e. 40 and 31 respectively.
4. The total amount of export grew by a 21% and reached to Rs. 7,01,179 crore in the year 2018-19.
5. The current investment created by SEZ's is Rs. 5,07,644

SUGGESTIONS:

SEZ plays very important role in development of an economy. But to solve the problems of SEZ some changes are required.

1. Government should provide more and more incentives to increase export.
2. To protect environmental pollution SEZ Projects will established 10 to 15 km away from the cities and villages.
3. For SEZ only non- agricultural land should be given.

CONCLUSION:

SEZ is very important factor for economic development. For equal development of the state, all round development of the country, SEZ plays very important role. SEZ Projects should be started in backward area for the balanced regional development. The SEZ have high investment and employment potential, specifically in the area of software engineers and skilled workers. Hence there is need for social and political awareness among the people to support such scheme.

REFERENCES:

1. Dr. Ravi N Kadam (2012)- A Big Bang of Special Economic Zones on Indian Economy: Issues and facts, International Journal of Research in Finance and Marketing, Vol. 2, Issue 7 (July, 2012).
2. Bhaskar (2018) Impact of Special Economic Zones on Indian Economy, International Journal of Management Studies, Vol. V, Special Issue 2(August, 2018).
3. Raheem Abdul A. (2011) - Impact of Special Economic Zones on Human Development and Poverty Reduction: An Indian Experience, International Journal of multidisciplinary Research, Vol. -I, Issue 7 (November, 2011).
4. www.sezindia.nic.in
5. Business Standards- July 06, 2017.
6. Business Line- December 25, 2018.
7. Business Today- July 31, 2019