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Special Economic Zone and its impact on LDC (Less Developed Country) Economy: A Brief Review of India

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Abstract

SEZ is a geographical region that has economic laws different from a country's typical laws. These are considered to be an engine of growth and a medium for attainment of globalization and liberalization. India launched its first EPZ (Export Processing Zone) in 1965 in Gujarat. With a view to overcome the multiplicity of controls and clearances, the absence of world-class infrastructure, and an unstable fiscal regime, and to attract large foreign investments, the SEZ policy was announced in India in 2000. Two of the primary objective of SEZ is to promote export and generate employment in India. The study examines the performance of SEZ in generating employment and export promotion. The study also undertakes an analysis of the role of SEZ in any economy, the SEZ scheme in India, Its origin and its distribution among the states of India and according to the sectors. It is evident from the analysis that SEZ are providing both direct and indirect employment and employment for women in India. The significance of SEZ in export can be realized from the increasing trend in the value of SEZ's export in rupee terms and the share of SEZ export in total export of India.

Key Words: Liberalization, Impact on Less Develop Economy, Export Promotion & Income Generation.

Introduction: Special economic zone (SEZ) is a specifically delineated duty free enclave and is considered to be a foreign territory for the purpose of trade operations and duties and tariffs. In other words, SEZ is a geographical region that has economic laws different from a country's typical laws. Special Economic Zones (SEZs) have been recognized as an important mechanism for trade and investment promotion, creation of infrastructure, employment generation, promotion of regional development, increase in foreign exchange earnings, improving export competitiveness and transfer of skills and technology. These are considered as growth drivers in the developing countries.

The SEZs have been in existence for decades, but have attracted renewed attention world-wide in recent years due to globalization of trade and financial markets. Historically, SEZs were the result of the spurt in economic growth. It is also well recognized that the SEZs are instrumental in developing local and regional infrastructure facilities, which in

turn are necessary for overall economic development of a country. At present an ever increasing less developed country is finding SEZ an integral part of their development programmes. The success of Chinese SEZs in the 1980s has encouraged other LDCs to set up their own. India too had remained no exception to this general trend.

In India, the concept of free zone - Export Processing Zone (EPZ) emerged during the 1960s when the first EPZ was set up in Gujarat. Subsequently, Santacruz EPZ was established. The basic objectives of these zones were to promote exports and employment opportunities. The SEZ policy was first introduced in India in April 2000, as a part of the Export-Import ("EXIM") policy of India and so the EPZs were converted into SEZs accordingly. Investors' interest in setting up of SEZs in India has increased many folds during the recent period since the enactment of SEZ Act 2005 and subsequent announcement of SEZ rules, which came into existence in February 2006. Various concessions are by the Government to the developers of these zones with the intention of promoting manufacturing industries, exports and employment in order to pave way for overall economic growth.

The present study mainly focuses on the following questions:

- What are SEZs and what is their role in an economy?
- What are their objectives?
- How are they distributed in India?
- How well had they performed in the Indian economy?

The entire paper is divided into a number of sections which addresses the questions above and an analysis is performed to evaluate the performance of SEZ in India.

We begin with a brief introduction to the term 'SEZ'.

Methodology: The study is based on various books and researches conducted on SEZs so far. The secondary data have been used to analyze the performance of SEZ. Since the number of SEZs in India is very high in number, so it was possible to evaluate the performance of each SEZ or to perform a state wise analysis of performance. Therefore, the study undertakes an overall assessment of SEZs in India. It focuses on the overall performance of SEZs in India in terms of export and employment generation and it is analyzed by means of various tables and figures with reference to literature survey.

Objectives of SEZ and incentives by the government:

1. To generate additional economic activities
2. To promote economic growth with human development.
3. To create employment opportunities
4. To increase international trades and earn foreign exchange.
5. To reduce income inequality under the process of economic development.
6. To promote export of goods and services.
7. To increase countries national income.

8. To attract FDI and FII through SEZs.
9. To provide adequate base of countries infrastructure.

According to *Section 53 of the SEZ Act*, an SEZ shall be “deemed to be a territory outside [the] customs territory of India for the purpose of undertaking authorized operations.” The government has notified such a list of authorized operations. As a consequence, the Union government converted the existing EPZs into SEZs. Accordingly, all the EPZs in the country were notified under the Customs Act, 1962, as SEZs.

To attract the private investors, Government of India has been offering concession packages for setting up of SEZs such as:

- Duty-free import/domestic procurement of goods for development, operation, and maintenance of SEZs.
- Income tax exemptions: on the income from export, there is no income tax for the first 10 years i.e. 100% tax free business for the first 10 years and 50% income tax benefit for next 5 years.
- External commercial borrowing by SEZ units without any maturity restrictions through government recognized banking channels.
- Treating supplies from the DTA to SEZ at par with physical exports.
- Exemption from Central Sales Tax.
- Exemption from Service Tax for SEZ units and developers.
- Exemption from State taxes and levies, as notified by various State Governments.
- Providing single window clearance system to the developer and the units for quick disposal of SEZ related activities.
- 100% FDI permitted through automatic route, barring a few sectors.
- Setting up Off-shore Banking Units (OBU) allowed in SEZs. OBU's allowed 100% income tax exemption on profit earned for three years and 50 % for next two years, etc.

In addition, State Governments have also been providing some concessions such as:

- Exemption from the State and local taxes, levies and duties, including stamp duty,
- Exemption from electricity duty
- Allowing generation, transmission and distribution of power within SEZ subject to the provisions of the Electricity Act, 2003;
- Providing water, road, bridges, gas distribution network etc. in the area of the Zone.
- Delegation of power to the Development Commissioner under the Industrial Disputes Act, 1947
- Declaration of the SEZ as a public utility service under the Industrial Disputes Act, 1947, etc.

These incentives and facilities are expected to 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 huge employment opportunities.

Literature Review on SEZs: A brief review of the earlier research studies in Indian as well as global context is noted here to highlight the role of SEZs in the economic transition and growth of nations. There is exhaustive literature analyzing the efficacy of economic zones, whether they are called SEZs or EPZs, in achieving the socio-economic objectives of a nation.

- **Grandos (2003)** pointed out that the establishment of development zones assumes significance for countries that adopt growth models based on export promotion instead of import substitution.
- **Aggarwal (2007)**, in her study on SEZs in India, concluded that fresh investments in SEZs might help in generating huge employment potential in the national economy.
- A micro level analysis of the zones' contribution to industrialization efforts in India reveals that EPZs have had a catalytic effect in promoting new production sectors, exporting new products and in building up the country's image in certain products in international markets, **Aggarwal (2006)**.
- **Madani (1999)** reports that a 1981 survey in the Dominican republic found that SEZ wages were the main source of income for 38% of Women working in the zones and that almost half of them were single, divorced or widows.

There have also been studies regarding SEZs' contribution towards regional development.

- A study by **Mukhopadhyay and Pradhan (2009)** concludes that a majority of the SEZs in India are concentrated within a few states; and within these states, they are located in districts with industrialization and urbanization levels higher than the median for the country.
- A study on the employment generation of SEZs in India by **Dr. A. Abdul Raheem** concluded that, "India's SEZs are not dominated by assembly type operations. 'Value addition' component and hence employment generation potential of zones is rather large. Even though their contribution to national employment has been rather limited, they have contributed significantly to employment generation at the regional level."
- A study (**Jauch, 2002**) conducted on export processing zones in southern Africa concludes that EPZs are not really successful in achieving self-sufficiency and sustainable development of the region; nor are they able to effectively support the socio-economic growth of the population.

The existing literature has mainly judged the success of SEZs/EPZs in terms of employment generation, export growth, linkages to the host economy, foreign exchange and GDP growth.

Furthermore there had been several debates and arguments on the magnitude of incentives and tax breaks offered to these special zones and related to the acquisition of land by SEZs. On the basis of these conclusions, an attempt is made in the following sections to evaluate the performance of SEZs in India in relation to two attributes—namely, exports and employment.

Section A: About SEZs

Special Economic Zones: Special Economic Zones (SEZs) are designated areas within the country governed by economic laws that are different from typical laws of the country and region. These are areas where some of the economic laws and restrictions of a country are relaxed with the purpose of giving incentive to investors. The relaxations are usually with respect to taxes, import and export duties and labor laws. These notified areas are deemed to be foreign territory for the purpose of trade and commerce and are intended to provide facility for development, industrialization and export oriented production. SEZs are expected to ease the pressure of urban infrastructure to non-urban regions, thus enhancing job creation and promoting holistic development. SEZs have been established in several countries, including China, India, Jordan, Poland, Kazakhstan, Philippines and Russia. Any public/private/joint sector or state government or its agencies can set up an SEZ. Even a foreign agency can set up SEZ in India.

In all SEZs the statutory functions are controlled by the government, the rest of the operations and maintenance are privatized. There are some SEZs which are established by the central government and thus its operation and maintenance are controlled by the government by itself. The functioning of the SEZs is governed by a 3 tiers administrative set up.

- **The Board of Approval (BOA)** is the apex body and is headed by the Secretary, Department of Commerce.
- **The Approval Committee at the Zone level** deals with approval of units in the SEZs and other related issues.
- All the proposals for setting up of units in the SEZ are approved at the Zone level by the Unit Approval Committee headed by a **Development Commissioner** and includes Customs Authorities and representatives of State Government. They are also responsible for monitoring the performance of the units in their respective zones.

Once an SEZ has been approved by the Board of Approval and Central Government has notified the area of the SEZ, units are allowed to be set up in the SEZ.

Advantages of SEZ in any LDC (Less Develop Country) economy:

- SEZs are a means of attracting companies to set up manufacturing or services bases within the country. As most LDCs are characterized by production of primary goods, lack of infrastructure and employment opportunity, this becomes a major revenue earner for the countries increasing its shares in global exports. It is also expected that these zones would encourage investment (both private and foreign) and generate employment both direct and indirect. Thus the role of SEZ in a developing country is to boost up the process of growth and development of the economy
- SEZs also have direct implications for the industrial development of the economy. The industrial units in the SEZs have easy access to the vitally needed inputs – both to indigenous and imported. With fast expanding domestic and export markets the

industrial units can grow to their optimum level and reap the economies of scale. With assured infrastructure in the areas of power, transport, communication, finance and trained man power industrial units in the SEZs have great potential of growth transmission not only within the zone but also in the economy at large.

- SEZs are exposed to world economy through their export trade. The units in the SEZs try to assimilate the latest technology in their production process and marketing management. This assimilation of modern technology lead to technological up gradation in the production and marketing areas not only among the units in the SEZs but also among the units outside these zones. Thus the technological advancement achieved by the SEZs has an indirect implication on the economic development of the economy.

Section B: SEZ in India

Brief History of SEZs: India launched its first EPZ (Export Processing Zone) in 1965 in Kandla, Gandhinagar, Gujarat .It was the first EPZ in Asia. The second EPZ was established by Santacruz EPZ at Mumbai. Kandla EPZ and Santacruz EPZ were subjected to rigid control measures and the packages of incentives were not attractive in the overall inward looking trade policy then. There was no single window facility within the zone. Zone authorities had limited powers. Entrepreneurs had to acquire individual clearances from various state government and central government departments. Day to-day operations were subjected to rigorous controls. Custom procedures for bonding, bank guarantees and movement of goods were rigid. FDI policy was also restrictive.

Towards the end of 1970s, the government had realized the failures to step up its manufactured exports in the background of the Second Oil Price Shock and related Balance of Payments (BOP) problems. To stimulate the exports, four more EPZs were created viz., Noida (Uttar Pradesh), Falta (West Bengal), Cochin (Kerala) and Chennai (Tamil Nadu).With a massive dose of liberalization being ushered in the economy, wide ranging measures were also introduced by the government for revamping and restructuring the EPZs also. This phase 1991 to 2000 was marked by progressive liberalization of policy provisions and relaxation in the severity of controls along with simplification of procedures. The scope and coverage of EPZ/EOUs scheme was enlarged in 1992 by permitting the agriculture, horticulture and aqua culture units also. In 1994, trading, re-engineering and re-conditioning units were also included.

With a view to overcome the multiplicity of controls and clearances, the absence of world-class infrastructure, and an unstable fiscal regime, and to attract large foreign investments, the Special Economic Zones (SEZs) Policy was announced by the Government of India in April 2000. The policy was conceived with the development of an internationally competitive and hassle-free environment for exports in the designated zones so that the then existing obstructions could be removed. The policy intended to make SEZs an engine for economic growth, supported by providing quality infrastructure and complemented by an attractive fiscal package, both at the Centre and in the states, with the minimum possible

regulation. SEZs in India functioned from 1 November 2000 to 9 February 2006 under the provisions of the Foreign Trade Policy.

The SEZ Act, 2005, supported by SEZ Rules, came into effect on 10 February 2006, providing for drastic simplification of procedures and for single-window clearance on matters relating to the central as well as state governments. The SEZ Rules provide for different minimum land requirements for different classes of SEZs. With the enactment of the 2005 legislation, SEZs received a major thrust. There has been a significant increase in the number of SEZs in India since then.

State wise distribution of SEZs: Due to wide range of incentives, facilities and many other relaxations amended in SEZs, majority of the states in the country are motivated to set up SEZs to enjoy the advantages generated through these zones. South India is ahead of other regions in taking advantage of the tax-free special economic zones scheme as 91 of 143 operational SEZs² are located in the four southern states. According to the Department of Commerce, Andhra Pradesh leads with a maximum number of 36 operational SEZs followed by Tamil Nadu (28), Karnataka (20) and Kerala (7), according to the data. As far as formally approved SEZs are concerned, Maharashtra (119) leads among the states and Andhra Pradesh (116) is the second among the states followed by Tamil Nadu (77) and Karnataka (62).

Table no-1: State wise distribution of operational SEZs (At the end of 2012)

States/UT	Operational SEZs
Andhra Pradesh	36
Tamil Nadu	28
Karnataka	20
Maharashtra	18
Gujarat	13
Kerala	7
Uttar Pradesh	6
West Bengal	5
Rajasthan	4
Haryana	3
Chandigarh	1
Madhya Pradesh	1
Orissa	1
Punjab	0
Goa	0
Chhattisgarh	0
Delhi	0
Dadra & Nagar	0
Haveli	0

Nagaland	0
Pondicherry	0
Uttarakhand	0
Jharkhand	0
Total	143

Source: www.wikipedia.in.

Table no-2: State wise distributions of Formal, In-principle and notified SEZs (as on 21.2.2012)

SEZ Status definitions	
Formally Approved	Status given when land is available to set up a SEZ.
In-Principle Approved	Status given when land has not yet been secured but all the other criteria are fulfilled.
Notified	Status given when physical development work begins.

State/UT	Formal Approvals	In- Principle Approvals	Notified SEZ
Andhra Pradesh	109	6	72
Chandigarh	2	0	2
Chhattisgarh	2	1	1
Delhi	3	0	0
Dadra & Nagar Haveli	2	0	1
Goa	7	0	3
Gujarat	47	6	30
Haryana	46	3	35
Jharkhand	1	0	1
Karnataka	61	1	38
Kerala	28	0	20
Madhya Pradesh	14	2	5
Maharashtra	103	14	63
Nagaland	2	0	1
Orissa	10	0	5
Pondicheery	1	1	0
Punjab	8	0	2
Rajasthan	10	1	9
Tamil Nadu	69	6	55
Uttar Pradesh	34	1	21
Uttar khand	2	0	1
West Bengal	22	3	11
Grand Total	583	45	376

Source: Annual Report on SEZs and EOUs, 2011-2012, www.commerce.nic.in

As on 21.2.2012 there were a total of 583 formally approved SEZs, 45 In-principle and 380 Notified SEZs. It is to be noted that out of total 583 approval the selected states such as Andhra Pradesh, Tamil Nadu, Gujarat, Uttar Pradesh, West Bengal, Kerala, Karnataka, Madhya Pradesh, Haryana and Maharashtra have contributed 472 approvals and the rest of the states contributed for remaining 111 approvals.

The spatial distribution of SEZs all over the country highlights a few interesting yet strange features. One is their development in the inland areas which is far away from the coastal regions. This feature is completely opposite to the pattern of development of SEZs in China where almost all SEZs are situated along the coastline. Many except a few SEZs are located far away from port cities in the interior of the country. Secondly, there is an unequal distribution of SEZs among different states both at interstate and intrastate level. Majority of the zones had developed in the Southern states, mainly in Andhra Pradesh, Tamil Nadu, Maharashtra. Western and southern states together accounted for more than 70% of formally approved SEZs in India.

Sector wise distribution of SEZs:

Table no-3: Sector wise distribution if SEZs (as on 21.2.2012)

Sector	Formal Approvals	In- Principle Approvals	Notified SEZ
Aviation/Aerospace/Copper	2	1	1
IT/ITES/EH/semiconductor	354	1	233
Textiles/Apparel/Wool	18	1	12
Pharma/Chemicals	23	3	20
Petrochemicals/Petro	4	1	2
Multi-product	24	16	15
Building product/Material	1	2	1
Beach & Mineral/Metals	2	0	2
Bio-tech	31	0	20
Engineering	21	1	17
Multi-services/Services	16	3	9
Metallurgical Engineering	1	0	0
Electronic Prod/industry	3	0	3
Auto & Related	3	1	1
Footwear/Leather	7	0	5
Gems & jewellery	12	3	6
power/alternate Energy/ Solar	3	1	3
FTWZ	13	4	6
Metal/stain. Steel/alum/foundry	8	2	4

Food processing	5	0	4
Non-conventional energy	6	0	4
Plastic products	0	2	0
handicrafts	5	0	3
Agro	6	2	5
Port-Based Multi-product	8	0	2
Airport based multi product	4	0	0
Writing & printing paper mills	2	0	1
Strategic manufacturing	0	1	0
Granitte processing	1	0	1
GRAND TOTAL	583	45	380

Source: Annual Report on SEZs and EOUs, 2011-2012, www.commerce.nic.in

The six major sectors of IT/ITES, Hardware etc., Textiles and Apparel (including Wool), Pharmaceuticals and Chemicals, Biotech, Engineering and Multi products accounted for bulk (82%) of the formally granted SEZs. IT/ITES/Electronic Hardware/Semi conductor is the single most important segment accounting for about 61% of the total formal approvals followed by Biotech and Engineering SEZs. Sector wise distribution data shows that out of 143 operational SEZs as of 2012 a significant majority of SEZs relates to IT/ITs and electronic hardware which accounts for 61%. One reason for this rush of these sector was the fact that much of India's growth since 1990 was based on the services sector especially in IT and software development. This has remained consistent with the changing scenario of global production scale.

Section C: Export and Employment

1 .Export promotion: The establishment of SEZs is seen as an important strategic tool to speed up the growth of trade in a region. Trade expansion is mainly measured in the form of increased exports as units set up in an SEZ have to produce goods and services mostly for exports. The special economic zones in India were established with a view to bring expertise for the country's exports sector. For this a policy was introduced on 01.04.2006. As to these policies, the Government has set up SEZ's in the public, private, joint sector or by State Governments. In this regard some of the existing Export processing zones were converted in to Special economic zones. There has been continuous improvement in the export performance of SEZs since the SEZ policy was announced.

The export from SEZ units from the year 2000 to 2012 is shown in the following table.

Table no-4: Export performance of SEZs

Year	Exports form SEZs (in crores)	Annual rate of growth (%)
2000-01	8552	-
2001-02	9190	7.46
2002-03	10053	9.39

2003-04	13854	37.8
2004-05	18309	32.16
2005-06	22840	24.75
2006-07	34615	51.55
2007-08	66338	91.64
2008-09	99689	50.27
2009-10	220711	121.4
2010-11	315867	43.11
2011-12	364748	15.47
2012-13	476159	31
2013-14	494077	4

Source: 1.Ch.5, Performance of SEZ/EPZ in India, www.shodhganga.in
 2. International research journal of business and management

The exports from SEZs increased from **Rs.8552 crores in 2000-2001 to Rs. 494077 crores in 2013-2014** which is about more than 90%. It is also evident from the table that the growth rate of export from SEZs over the previous year has been increasing till 2010 after which it fell to 43.11% and 15.47% and finally to 4%. The incentives and assistance schemes provided to the SEZs increases indirect competitive strength in the units in these zones to face adequately the international competition in the world market. The valuable foreign exchange earned by the units in the SEZs provides the needed investment resources and thus help the economic development of the country.

2. Employment Generation: Generation of jobs for a region's population is seen as one of the major spillover effect of establishing SEZs in the developing economy. The employment effect of SEZs operates through three channels:

1. SEZs generate **DIRECT EMPLOYMENT** for skilled and unskilled labor ;
2. They also generate **INDIRECT EMPLOYMENT**;
3. They generate **EMPLOYMENT FOR WOMEN WORKERS**.

Direct Employment: In a developing economy, SEZs comprise labor-intensive activities. Enterprises in SEZs provide a significant source of new employment. Due to the availability of labor at low wages, developing countries generally attract investment into simple processing labor intensive industries. This increases the demand for unskilled labor within the zone. Shift towards higher value added activities as SEZs grow, might increase demand for skilled labor also. SEZs also generate employment for unskilled labor by creating demand for physical infrastructure within the zone. This stimulates the local construction industry giving employment to unskilled labor. Worldwide direct employment in SEZs had rose from less than 2 million in 1986 to 66 million in 2006 (ILO, 2007).

Indirect Employment: The indirect employment appeared as a supplementary employment opportunity generated in sectors affected by the operations of SEZs. These include, transport, communication, automobile, civil aviation, shipping, tourism, hospitality,

packaging, banking, and insurance. Employment opportunities are, thus generated for both unskilled and skilled labor. In addition, SEZs generate economic activity outside the zone due to the transformation of investment funds into fixed assets and purchase of inputs and services from the rest of the economy. Once additional incomes are generated, the demand for various goods and services such as housing, education, health and transport. This in turn has multiplier effects on income and employment.

Employment for Women Workers: Evidence suggests that women’s share to total employment in SEZs is substantially higher than both the economy as a whole as well as the manufacturing sector outside the SEZs (Kusago and Tzannatos 1998). Women dominate the workforce in SEZs in most developing countries. Women workers are considered more disciplined and hard working. It is found that employers prefer female workers to male workers in the belief that manual dexterity, greater discipline and patience make women more suitable for the unskilled and semi-skilled activities carried out in the zones. Besides, they are less likely to exert pressure for high wages and better working conditions (Aradhna Aggarwal, 2007).

Analysis: Two important objectives of the SEZ Act, 2005, are: generate employment opportunities and increase India’s share in global exports. The success of SEZs in meeting these objectives is analyzed in this section in order to assess their efficacy in India. Since the number of operating SEZs in India is very high, it is not possible to individually evaluate the performance of each SEZ.

1. Export Performance: To analyze the performance of SEZs, a comparison has been made based on the data showing the exports from SEZ units and the total exports from India from the financial year 2000-01 to 2011-12.

Table no- 5: Share of SEZ export in India’s Total Export

Year	India's Exports (in crores)	Annual growth rate (%)	Exports form SEZs (in crores)	Annual growth rate (%)	SEZs Export to total Exports (%)
2000-01	203571	-	8552	-	4.20
2001-02	209018	2.68	9190	7.46	4.40
2002-03	255137	22.06	10053	9.39	3.94
2003-04	293367	14.98	13854	37.8	4.72
2004-05	375340	27.94	18309	32.16	4.88
2005-06	456418	21.68	22840	24.75	5.00
2006-07	571779	25.27	34615	51.55	6.05
2007-08	655864	14.71	66338	91.64	10.11
2008-09	840755	28.19	99689	50.27	11.86
2009-10	845533	0.57	220711	121.4	26.10
2010-11	1157474	36.89	315867	43.11	27.30

2011-12	1454066	25.62	364748	15.47	25.07
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Source: Lok sabha starred question no. 286, ministry of commerce and industry

It is seen from the above table that the exports from SEZs as well as from India increased rapidly during the period 2000-01 to 2011-12. However, exports from SEZs increased at higher rate than the total exports from India (table 4). The table also reveals that the exports from India increased by Seven times from Rs.2,03,571 crores in 2000-01 to Rs.14,54,066 crores in 2011-12 where manufacturing exports played the major role. The export from SEZs, on the other hand, increased by 42.65 times from Rs.8,552crores in 2000-01 to Rs.3,64,748 crores in 2011-12. The share of SEZs exports in India's total exports has also increased sharply from 4.20 percent in 2000-01 to 11.86 percent in 2008-09 and further to 27.30 percent in 2010-11 and again decreased to 25.07 in 2011-12. The share of exports of SEZs is seen rising along with the total exports of India.

On comparing the annual growth rate of exports from SEZs (Figure 2), it is seen that though the annual growth rate of India and SEZ shows fluctuations but the overall growth rate of SEZ exports remained much higher compared to that of exports from India from FY 2000-01 to 2011-2012. It is observed from table 4 and figure 2 that the contribution of exports from SEZs to the overall exports from India has increased from 4.7 per cent in 2003-04 to 27.3% per cent in 2010-11 (Table 4). Physical exports from SEZs have increased by 121 per cent to Rs. 2,20,711 crores in 2009-10, while during the same period there was a sharp fall in the annual growth rate of India's export to 0.57%. A possible reason for this fall in growth rate of India's export can be due to the worldwide recession during that period. It is concluded that SEZ does play a major part in India's share of export and hence proved itself to be a revenue earner for India. However, it should be noted that the enactment of the SEZ Act provided a major push to the SEZs' export performance which is evident in the sharp rise in the export growth rate of SEZ.

2. Employment generations: Quantitatively, generation of employment in SEZs started rising heavily post-SEZ Act, 2005. According to a study on SEZs by Subbaiah Singala, Yamini Atmavilas and Ekta Singh, indirect employment increased from 596 in 2005 to 1, 57, 913 in 2006 which is almost a growth of more than 90%. Data from the table shows the total employment increased from 3,87,439 in 2008-09 to 13, 50, 071 in 2013-14. There has been a steady growth in employment generation over the years after 2005 in which a significant number of job opportunities has been realized for women (Aradhna Agarwal). The growth of total employment can be directly related to the increase in the number of SEZs over the years. The creation of job opportunities is not limited to those who are directly employed in units, there is also a rise in indirect employment i.e. increase in employment opportunity generated in sectors affected by the operations of SEZ. Most of the labors directly employed in SEZ are semiskilled or unskilled. It is believed that employment creation generates incomes, creates non pecuniary benefits, improves the quality of life of labor and enhances their productivity. These, in turn, have poverty reduction effect.

There are various modes by which SEZs can positively contribute to human capital formation. One is the firm level activity whereby the host country labour force acquires skills from within the firm through training and learning by doing on the job (Kusago and Tzannatos 1998). Zone units can thus directly affect the skill formation as workers are provided additional training on- and off the job. Skill formation for the poor unskilled workers also occurs through assimilation of industrial discipline. This might increase the welfare of poor unskilled workers by increasing the range of job opportunities available to them. Improved skills and productivity increase workers' income earning capacity.

It can be inferred that the level of employment (both direct and indirect) have been increasing steadily and SEZs units are in fact playing a crucial role in upgrading domestic entrepreneurial skills, providing job opportunities and technically upgrading the workers through learning by doing and training process. Thus, SEZs are contributing to the development of Indian Economy.

Concluding Remarks: The SEZs have emerged as one of the primary avenue through which competition is taking shape. In fact the competition is not confined to the Indian states alone but is now developing between countries to attract multinationals. India was the first country in Asia to set up an EPZ. However, as the government's EPZ strategy did not generate meaningful results, it was replaced by SEZs. This move led to a significant improvement in economic activity in the country—most importantly rendering exports competitive—as evident by the increase in India's share of exports across the globe.

The study reveals some facts like a bulk of facilities and incentives given to the developers of SEZs, most of the SEZs being developed in the southern states and interestingly away from the coastal regions, majority of SEZs relating to IT and hardware, significant contribution of SEZs to indirect employment, etc. and finally concluded the fact that the performance of SEZs in export and employment generation has been reasonably well in the developing economy of India.

There are several criticism and objections on the bulk of incentives and facilities that are given to the developers of SEZs, the issues of land acquisition by government for developing the units and displacement of the poor also on its unequal and sector specific distributions across India which might generate unequal regional growth. But on the positive front the SEZs have proved to be a foreign revenue earner for the Indian economy and have a implication on the developmental impacts of the local population mainly on the employment opportunities. Additionally, they also have a direct implication for the industrial development of an economy and are means of achieving technological up gradation, acquiring advanced knowledge of production process and attracting FDI through investment. Thus, there is need for social and political awareness among the people to support such schemes for the all-round economic development of the country.

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