

A study of Special Economic Zones (SEZs) and its impact on employment in Pune region

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Abstract

India a fast developing country needs to survive and compete with rest of the world in international trade. To compete and increase the volume of international trade output is to be increased for which huge capital investment for industrialization is needed. The SEZs come with capital and technology which is deficient in India. But the way for SEZs is not so clear due to some specific reasons. The studies in this field are quite essential to study the performance of the SEZs in the economy in attaining the goals and make suggestions improving their performance in the interest of the nation. This study examines issues like impact of SEZs on overall economic development and employment of SEZs in Pune region. It also tries to study problems faced by the SEZs.

Keywords- SEZs, EPZ, EOU

INTRODUCTION

Special Economic Zones (SEZs) is one of the export promotion schemes of the government of India among Export Processing Zones (EPZs), Hundred Percent Export Oriented Industrial Units (EOUs), Technology Parks (TPs), etc. The Special Economic Zone is a geographical region which has more liberal economic laws than a country's typical economic laws. SEZ is an instrument of capacity development with the goal to promote rapid economic growth by using fiscal and business incentives to magnetize foreign investment and technology. At present, there are more than 3,000 SEZs operating in 120 countries and accounting for over \$600 billion in exports and about 50 million jobs. By offering privileged terms, SEZs attract investment and foreign exchange, stimulate employment and boost the development of improved technologies and infrastructure. In these zones only the labour and banking laws will operate. The Indian EPZs have contributed hardly 4 percent of the country's exports. In Asia, India was one of the first countries to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports. Hence, the first EPZ in Asia was set up in Kandla in 1965. The Special Economic Zones (SEZs) Policy was

announced in April 2000, 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, with a view to attract larger foreign investments in India, with the minimum possible regulations, this policy planned 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, In India from 1st November, 2000 to 9th February, 2006 SEZs functioned under the provisions of the Foreign Trade Policy and fiscal incentives were made effective through the provisions of relevant statutes.

RESEARCH OBJECTIVES

1. To study and analyze objectives of SEZ Units
2. To examine overall economic impact of units of IT/ITES/STP/EHTP from the SEZs in Pune region
3. To study units of SEZ IT/ITES/STP/ EHTP from the SEZs in Pune region in terms of overall impact on employment
4. To examine if SEZ units have provided employment opportunities to nearby area of other states
5. To study the problems, if any, of SEZ units that adversely affect their performance including creation of employment opportunities.

REVIEW OF LITERATURE

NAZIA KHAN and DR. P. K. VARSHNEY, 2012, in their article have concluded that Establishment of SEZs in any country needs to be carefully designed as it depends on number of sensitive issues. Prominent among them is definitely a political decision making power which varies from country to country and also state to state and can create a significantly high volatile situation. No doubt SEZ despite its disagreement by some experts remain an attractive option for the overall development of the economy.

Dr. J B More (2015), in his article has stated that It is necessary to see the SEZ in positive view. SEZ projects should be started in backward area for development of regional equilibrium. SEZ have been acquired land from the farmers, government should be done rehabilitation and included them as shareholders of the SEZ projects as well as the family members of

the farmers should be reserved some vacancies of employment.

Dr. Navin Prajapati (2014) in his article has said that SEZs have been implemented using a variety of institutional structures across the world ranging from fully public (government operator, government developer, government regulator) to 'fully' private (private operator, private developer, public regulator). In many cases, public sector operators and developers act as quasi government agencies in that they have a pseudo-corporate institutional structure and have budgetary autonomy.

M L Tantri, (2013) in his working paper on SEZ has concluded that Despite the numerous credits in its favour, the SEZ policy in India needs a pragmatic revisit. Specifically, the current SEZ policy seems to be suffering from flaws in the ideas behind policy formulation and execution. The most important argument in its favour stems from the various flaws in the policy that 20 are in conflict with other development objectives of the economy. The major ones are the government's stand on incentives offered to different actors involved in the process, land acquisition and the compensation formulae and the sectoral and geographical expansion of SEZs.

V B Rawat et. Al (2011), have concluded that the case of the Polepally SEZ contains lessons for the Indian context, and indeed for global debates on commercial pressures on land. An effect of increasing commercial pressures on land, in whatever context, is often that the state acts as an agent to facilitate the acquisition of land resources by private or state-backed enterprises. Such acquisitions are often justified in the name of economic development, and accompanied by the claim that they will benefit local communities through the creation of jobs, amenities, and so on.

Sample size and technique –

- *Population* – The population for this study covered all units in Pune SEZs.
- *Sample* – Sample size was 20% of the population and the sample selection was based on simple random sampling. A total of 400 respondents were evaluated for the study.

Collection of primary data –

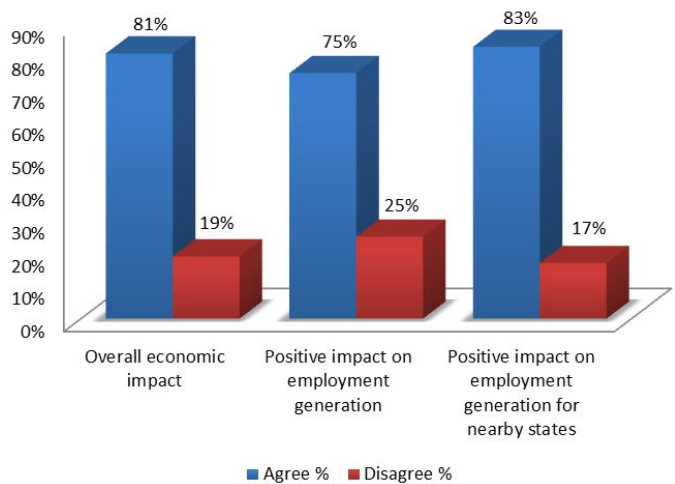
Collection of primary data was done through questionnaire from the SEZ companies covered under the study.

Summarized data analysis –

Findings –

a. Summary of responses on agreement of impact of SEZ units –

Sr. No.	Area	Positive Impact	
		Agree %	Disagree %
1	Overall economic impact	81%	19%
2	Positive impact on employment generation	75%	25%
3	Positive impact on employment generation for nearby states	83%	17%



b. There is an overwhelming majority that agreed to positive contribution of SEZs in all the 3 areas of the study, namely –

- Overall economic development
 - Employment generation
 - Employment generation for nearby areas
- c. 80% agreed that SEZ units have positively contributed in boosting the country's exports
- d. 75% agreed that SEZ units exports have been stagnant, of late
- e. 39% of the respondents have casted doubts over the profitability of the SEZ exports
- f. More than 60% of the respondents have agreed that SEZ units have been successful in attracting funding from both outside and domestic sources
- g. More than 60% of the respondents have agreed that SEZ units have been successful in generating both direct and indirect employment
- h. However, respondents have not agreed to positive

contribution on most of the qualitative parameters like – gender equality, job security, pay hikes etc.

i. Sizable number of respondents have rated employees from other areas at par with local employees

j. Most of the respondents have agreed that access to employees from adjacent states have helped them in keeping a check on the attitude of local employees

k. Another interesting observation is that management do discriminate between outsiders and local employees

l. On an overall basis, the respondents have in majority stated that SEZ units do have their set of problems

m. Areas like finances, availability of skilled labor and legal compliances have been rated as top problems faced by the SEZ units

n. 62% of the respondents feel that SEZ units have got benefits that are commensurate with their efforts

SUGGESTIONS

1. Efforts to increase competitiveness of Indian exports need to be stepped up. They must be attractive on the cost front. Export markets are actually very big and mammoth in size. Hence, price competitiveness should be a priority for the SEZ units. In this direction efforts to achieve cost reduction should be systematically undertaken. A robust approach including techniques like value engineering, value analysis etc. should be adopted for achieving cost reduction.

2. Government should give special incentives to the SEZ units for employing women.

3. Processing of benefit claims of the exporters should be 100% computerized. It is only manual intervention that makes legal compliance difficult. If the Government has serious intentions of promoting exports through SEZs, then it has to take care of legal aspects. While adequate checks and balances are important for avoiding frauds, at the same time, procedures should be as far as possible online avoiding any kind of human intervention.

4. SEZ units should take the initiative in improving benefits for its employees. It should take the lead in improving things like job security, pay hikes, promotions etc. If it does so, then only it will be able to attract skilled employees. Otherwise they will continue to suffer as per the saying – “You pay peanuts and you get monkeys!”

5. SEZ units can attempt to raise more of international funding obviously because it is cheaper. manpower to the SEZ units.

The Government in this regard should relax the norms for External Commercial Borrowings (ECBs).

6. SEZs can undertake educational activities so that they themselves can ensure supply of quality

CONCLUSION

SEZs have had a positive impact on overall economic development and on employment generation. Further SEZs have had a positive impact on employment generation for nearby areas as well. While on an overall basis all the 3 areas look good, there are finer aspects that need to be explored. For example, in case of economic development, stagnancy in exports over the last few areas has been highlighted as a concern. Favorable exchange rate has helped boost exports. Despite various sops available from the Government, sizable amount of respondents have casted doubts about the profitability of exports. This means that in international markets Indian goods may not be able to fight competition on price front. SEZs have been largely successful in employment generation. But qualitative aspects need improvements. One of the problems stated by the SEZs is of availability of skilled manpower. It can be said that since the SEZ units are not able to fetch good people, it is not living up to the expectations of the employees on issues like job security, pay rise, promotions etc. SEZ units have their own set of problems like finances, availability of skilled labor, legal compliances etc. They seem to be satisfied with the benefits the Government has given them and perceive those as commensurate with the efforts they have put in. Despite the SEZ units employing people from other States, it is really heartening to note that they are receiving cooperation from the local community.

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