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Research Papers

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## **“A STUDY ON SPECIAL ECONOMICS ZONE AND THEIR IMPLICATION ON SUSTAINABLE DEVELOPMENT”**

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### **Abstract**

*Everyone is understanding the phenomenon of under development or developing. India economy is also one of Developing Economy there is some futures of same to identifying the developing economy. In Indian Economy the problem of Development they face is both very big and very serious. As like low per-capita Income and in the concept of life, and massive poverty, unemployment, insufficient and unsuitable growth, excess population low level of education and education institutions and so many sector wise problem arise in agree, industry and service sector. So all this is the nature and stricture of Indian Economy as a developing economy.*

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#### **Introduction about SEZ**

All people know the concept of LPG (Liberalization, Privatization and Globalization). This is the advanced days of all new economic issues as well as L.P.G. And SEZ and SEZ is one branch of L.P.G. the concept of special economic zone (SEZ) was introduced by the Government of India in the year of 2000 to achieve the growth and extent development and to face the challenges of globalization world, The main purpose of establishing SEZs is to encourage exports and create employment and Adequate Development of Infrastructure. Indian economy was the first country to establish and export processing zones (EPZs) in 1965 in Kandla in Gujarat. The SEZs act in 2005 and implementation of the act from 2006 under new act of SEZs all export processing zones (EPZs) are also converted in to SEZs.

#### **Advantages of SEZs**

1. Attract foreign investments: SEZs provide a world class business environment and therefore

attract global companies to set base in the country. In China over per cent of foreign direct Investment (FDI) flows into SEZs. The government has realized importance of attracting FDI, to expand the economy and to generate the jobs and unless they do away with red-tapism they will never be able to match China's dominance in FDI. Over the last 10 years aggregate in flows of FDI to India averaged roughly to \$45 billion against, over \$150 billion to China. SEZs are now being encourage attract FDIs.

**2.Promotion of Investment:** SEZs not only attract but also promote domestic public and private sector investments. This results in growth of national income. The total investment in SEZs in India as of 30th June 2008 was about Rs. 81,000 Crore.

**3.Infrastructure Development:** SEZs offer high-quality infrastructure and facilities to units. They are built like townships that provide facilities like housing, educational institutions,

communication network, banking and transportations facilities of their own. Availability of such integrated facilities and services are added attractions to investors. The success of SEZs in China is due to the foreign-investor-friendly infrastructure they provide. The Chinese SEZs are part of the larger cities and enjoy good social infrastructure and urbanization.

**4. Employment Generation:** SEZs are designed to increase domestic and foreign investment and increase economic activities. These are expected to generate employment in the country. The backward and forward linkages with DTA will indirectly help in generation of employment in related and support industries.

**5. Export Promotion:** One of primary objectives of setting up SEZs is to promote exports. This is done through special duty concessions and exemptions given to units in SEZ. In 2007-08, the export earnings from SEZs in India were Rs.66,600 crore, with a growth rate of 92 per cent from the previous year.

**6. Development of Backward Areas:** Many-SEZs in developing countries are located in backward. The government of India is committed to use the SEZ policy for the development of such areas. This will generate employment to the local population, develop the area and will reduce migration to developed urban areas.

**7. Lower Costs:** Due to the availability of quality infrastructure; advanced technology and reliable support services, SEZ units enjoy improved efficiency of operations which bring down their transaction costs. Most SEZ units can take advantage of large scale production that further helps them to bring down costs.

#### Critical Appraisal

ØA study by National Institute of Public Finance and policy found that the government would lose Rs. 97,000 crores in tax revenue during 2005-10 due to concession to SEZs unit. The SEZ projects in 2004-05 were able to provide export to tune of Rs. 17,729 crores (4.9% of total exports) while the small scale contributed to Rs. 1,24,416 crores (34.4% of the total export of the same year). The issue is whether the nation should promote Small Manufacturing Enterprises (SME) sector or SEZs which contribute much less in terms foreign exchange earnings.

ØThe second issue relates to acquiring huge tracts of prime agriculture land for SEZ units. For instance the Uttar Pradesh Government had given a corporate house 2500 acres of land in Dadri to set

up power plant which required only 50 acres. Similarly West Bengal Chief Minister handed over prime agricultural land for Tata Small Car Manufacturing Unit at Singur. Congress President Sonia Gandhi laid down the guidelines which are –

- Prime rime agricultural Land should not be diverted for non-agricultural purposes.
- Farmers must be compensated well for their land.
- Rehabilitation policies must be strengthened to reassure displaced people.
- Farmers could be given stake in projects set up on land acquired from them.

Mrs. Sonia Gandhi's guidelines had an electrifying effect that UPA ministers turned to the of protecting the interests of farmers.

ØIt is necessary to lay down norms for, land use so as to promote exports 50% of land SEZ should be used for industrial production, 25% should be made available for schools, hospitals, housing complex for workers and recreational facilities.

ØThe exemption of labour laws for SEZs is a vital issue. This implies State Labour missionaries will have no jurisdiction over factories in SEZs. This would lead to inhuman Lions of work.

If labour laws are insisted in SEZs then industries would not come up. The attitude of Centre and State Governments on application of labour laws is questionable. It is very essential for the Government to protect its workers from exploitation and ensure social. The Second National Commission on labour in its report (2002) clearly stated that not in flavor of granting exemption from labour laws in export promotion zones on SEZ.

ØThe county will be divided into two separate groups –SEZs and Non-SEZs. The concessions given to SEZs will attract industrial units to shift from Non-SEZs to SEZs. The Government should reconsider the SEZ approach to industrialization and export promotion Government should not give concessions and subsidies to big business houses at the of farmers.

#### Impact of SEZ on Sustainable development on Indian Economy

The concept of SEZ has gained momentum in India with the passing of SEZ Act June 2005. During the last six months 100 proposals were approved for setting up SEZs spread over 15 states and 2 Union Territories taking the tally to 117 SEZs.

There are a total of 18 operational SEZs in India including 8 EPZs which were converted into SEZs. Further, 61 SEZs are approved and under

establishment. In 1969 the first EPZ was set up in Kandla in Gujarat. Seven more later began operations at Mumbai, Chennai, Surat, Falta, Kochi, Noida and Vishakhapatnam.

The significant economic impact of SEZ is visible in terms of rapid generation of employment opportunities especially for women. These zones have created special important avenues for young women. It has been estimated that SEZs in India have created employment for about 1,00,650 people out of which 32,185 were females, till 31st March 2007. Further, they are expected to employ 5 lakh people by 2007 and invest about 1000 billion including FDI of 250 billion. Moreover, operational SEZs in India have so far exported Rs.255 billion worth of products.

According to economists, the biggest impact of EPZs in India will be felt in the manufacturing sector which has the highest potential for well paying jobs. Further, unskilled and semi skilled workers could be trained at low cost and absorbed in this sector.

According to the official estimate, at the end of 31st March 2005 there were 811 industrial units in 8 functional SEZs in India with an investment of Rs.18,309 million providing employment to about 1,00,650 people of which 32,185 were female workers. The share of SEZs in total exports of India increased from just 4.2 per cent in 2000-01 to 5.1 per cent in 2004-05.

#### Objectives of the study

##### Objectives of study are as Follows

- 1) To compare SEZs and its benefits of sustainable Development.
- 2) To understand SEZs implication on human development as well as sustainable development.
- 3) To understand the impact on common people and farmers and another objectives of the study SEZs Vs sustainable development.

#### Methodology of the study

This research paper is based on the available secondary data and other research result and reports. Collected data from some reference books. This paper is an attempt to analyze the SEZs and its implication on sustainable development.

#### Concept of sustainable development

In the of sustainable development there are many definitions but basically sustainable development refer to meeting the needs of the present generation without compromising the needs of future generation.

#### Objectives of sustainable development

1. Balance between economic growth and human development.
2. Economic Development creates with the Development of sustain.
3. Balance between human development and sustainable development.
4. Creates sustainable national income.
5. Balance between environmental preservation and economic development.
6. Balance development between SEZs and sustainable development.

#### Objectives of SEZs

1. Increasing exports power of economy.
2. Promote economic growth with human development.
3. Create new employment.
4. To increase international trades and earn foreign exchange.
5. To reduce income inequality under the process of economic development (SEZs).
6. To promote export of agriculture product.
7. To increase countries national income.
8. To attract FDI and FII through SEZs.
9. SEZ is specially created Tax Free area.
10. To provide adequate base of countries infrastructure etc.....

#### Some Special Implications of SEZ on Sustainable Development

##### Export from functioning SEZs

The export from functioning SEZs during the period 2003-04 to 2007-08 shown in the following table.

Exports from functioning SEZs Table

Year	Exports Rs. Cr.	Growth rate over Previous Year
2003-04	13854	39%
2004-05	18314	32%
2005-06	22840	25%
2006-07	34615	52%
2007-08	66638	92%

Source: Compiled from various sources.

Above table shows the Exports from functioning SEZs has shown Inversing Tendency during the last five years the SEZ exports have Increased from Rs. 13854Cr. in 2003-04 to Rs.66638Cr.in the years of 2007-08.

#### Conclusion

Though the 11th Five Year Plan setup its primary goal towards faster and more inclusive grown? The promotion of SEZ will not result in more exclusive growth. On one hand, India intends

to emerge as a super power by 2020 but on the other hand, it would have third rate labour with deteriorating economic conditions with no income security employment security or social security in SEZs which may become industrial enclaves with super profits.

The incentives to SEZs are disproportionate to the incremental benefits that may accrue to the nation. There is a need to impose stiffer obligations on the SEZs to justify the incentives. The standing committee report on SEZs is a path breaking document which indicates the direction which the country should move if it wants to pursue industrialization with a human approach. Policy makers should design a modern legislation on land acquisition and also frame a Relief and Resettlement Policy to help those who are displaced. This would lead to a smooth transition to a new source of livelihoods.

#### Suggestions

1. Govt. should increased employment opportunities in SEZs in Agriculture Sector.
2. Govt. should reduce some problem related to labors in SEZs.
3. Govt. should be concentrations to provide intra structural facilities in rural economy.
4. Govt. should have increase trade duties and tariffs in SEZs for purpose of revenue.
5. Govt. should see the problems of farmers those farmers affected from SEZs.
6. Govt. also should have increase the sustainable development in an economy from SEZs etc.....

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