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# The Enigma Era of SEZ in HRD

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## ABSTRACT

Human capital generation is the right indicator for the sustainable development of the economy. The nation will have a dynamic growth, once it achieves high literacy rate, high standard of living, no poverty and high per capita income, self-sufficient in their resources and growth in human capital. The current study throws light on performance of SEZ in India with respect to two indicators, such as Investment and Employment. Chapter one provides basic about Special Economic Zone (SEZ). Chapter two enlists the review of literature. Chapter three describes the investment pattern of SEZ in India. Chapter four envisages the employment generation of SEZ in India. Chapter five analyses the investment value per employment in SEZ. The last chapter concludes the human capital employment status in SEZ.

*Keywords: SEZ, Investment, Employment generation, Human capital, performance of SEZ*

## INTRODUCTION

India was the first Asian country that started Export Processing Zone in Kandla during late 1960's, knowing the importance of export and foreign investment in economic development. But she was not able to face the global competition due to several reasons such as tax holidays and incentives to the promoters were not attractive, absence of infrastructure facilities and concentration of export promotion activities alone but failed to implement the policy framework. In order to overcome all these shortcomings, SEZ scheme was incorporated through EXIM policy effective from April 2000. Special Economic Zones (SEZ) is a specifically delineated duty free enclave and free from all rules and regulations governing imports and exports, which shall be deemed to be a foreign territory for the purposes of trade operations and duties and tariffs.

The Government of India announced the introduction of Special Economic Zones to achieve the following objectives:

- Generation of additional economic activity
- Promotion of exports of goods and services
- Promotion of investment from domestic and foreign sources
- Creation of employment opportunities
- Development of infrastructure facilities

## REVIEW OF LITERATURE

Aradhna Aggarwal,<sup>4</sup> in her working paper, has exposed the export performance of Export Processing Zones. According to her, the EPZ policy in India underwent gradual relaxation of procedural and operational rigidities. The changes effected in this policy since 1991 have been far reaching and significant. It is believed that the overall EPZ investment climate has an overwhelming bearing on the EPZ performance.

S. K. MISRA and V.K. PURI,<sup>5</sup> in their study, "A scheme for setting up Special Economic Zone (SEZs) in the country to promote exports was announced by the Government in the Export Import Policy on March 2001. The SEZs are to provide free environment for exports and are expected to give a boost to the country's export. The policy has provided provisions for setting up SEZs in the public sector, joint sector or by the State Government. It also announced that some the existing EPZs would be converted into SEZ. Accordingly, the Government has issued notification for conversion of all the existing EPZs into Special Economic Zones. Exports by SEZ units during 2004-05 were of Rs. 18,309 crores."

M. Suchitra,<sup>6</sup> in her study, has pronounced that, the Neo-liberal trade and economic policies have already resulted in the spread of an exploitative work culture in India and other developing countries, especially with

regard to unorganised labour. As of now, apart from the huge revenue losses, large scale displacement of farmers and regional development disparities, the proliferation of SEZs will certainly worsen the plight of workers. In fact, promoting these export enclaves, where domestic trade, tariff and labour laws are not applicable, as the one and only way for the development which is likely to have negatively impact on the real development that the country needs.

Chandrachud S,<sup>4</sup> the SEZ approvals are expressed under four stages based on their level of processing such as Formal approvals, in-principle approvals, notified approvals and exporting SEZs. Formal approval is awarded to those SEZs approved in-principle that can show that land has been assembled for the purpose. In-principle approval is the first stage of approval process given to the person or the State Government concerned incorporating additional conditions, if any specified

by the Board while approving the proposal. Notified approval is the last stage of process after the Government is satisfied that the developer has legal possession and irrevocable rights over the proposed land to develop SEZ and has received all necessary approvals provided that leasehold right for the period of not less than twenty years and the identified lands is contiguous vacant land with no public thoroughfare.

**Inflow of Investment in Special Economic Zone (SEZ):** Table 1 depicts the incremental investment in Special Economic Zone (SEZ) from February 2006 upto 30<sup>th</sup> September 2017. The major Special Economic Zone controlled by the Central government has increased from Rs.2,279.20 crores to Rs.17,941.55 crores with the additional investment of Rs. 15,662.35 crores. The state or private SEZs before 2006 has the total investment of Rs. 12775.83 from Rs. 1,756.31 with the incremental investment of Rs. 11019.52 crores

**Table 1: Inflow of investment in SEZ from February 2006 to 30 September 2017**

Investment	Investment (As On February, 2006)	Incremental Investment	Total Investment (As On 30 September 2017)
Central Govt. SEZ	Rs.2,279.20 cr	Rs. 15,662.35 cr.	Rs.17,941.55 cr.
State/ Private SEZs before 2006	Rs 1,756.31 cr	Rs. 11019.52 cr.	Rs.12775.83 cr
SEZ notified under the act	-	Rs. 4,18,115.05 cr.	Rs.4,18,115.05 cr
Total	Rs. 4,035.51 cr.	Rs. 4,44,796.92 cr	Rs. 4,48,862.43cr

Source : Fact sheet on SEZ, MOC, <http://sezindia.nic.in/cms/updated-factsheet-on-sezs.php><sup>5</sup>

However, the Notified SEZ under SEZ Act has the huge investment of Rs. 4,18,115.05 crores (four lakh eighteen thousand one hundred and fifteen lakhs crores approximately) – i.e., Rs.418115,05,00,000 with one of the object of creating more employment opportunities.

**Employment generation in Special Economic Zone (SEZ):** Table 2 envisages the Employment generation in Special Economic Zone (SEZ) from February 2006 upto 30<sup>th</sup> September 2017. The major Special Economic Zone controlled by the Central government has generated 1,22,236 persons in 2006 to 2,35,305 persons with the additional employment of 1,13,069 persons. The state or private SEZs before 2006 has the total investment of 99,400 persons from 12,468 persons with the incremental investment of 86,932 persons.

**Table 2: Employment generation in SEZ from February 2006 to 30 September 2017**

Employment	Employment (As On February, 2006)	Incremental Employment	Total Employment (As On 30 September 2017)
Central Govt. SEZ	1,22,236 PERSONS	1,13,069 PERSONS	2,35,305 PERSONS
State/ Private SEZs before 2006	12,468 PERSONS	86,932 PERSONS	99,400 PERSONS
SEZ notified under the act	0 PERSONS	14,88,746 PERSONS	14,88,746 PERSONS
Total	1,34,704 PERSONS	16,88,747 PERSONS	18,23,451 PERSONS

Source : Fact sheet on SEZ, MOC, <http://sezindia.nic.in/cms/updated-factsheet-on-sezs.php><sup>6</sup>

It is to be noted that Notified SEZ contributes 16,88,747 employment had been generated under the SEZ Act, Which is amounting to more than 75 percent of total employment generation. As on 30<sup>th</sup> September 2017,

the total employment generated are 18,23,451 persons. Here the Enigma of proportion between the investment and Employment generation exposed. For creating the employment opportunities of 15 lakhs persons, the total

investment of Rs.418115,05,00,000 in the last decade. One of the objective of SEZ policy is to create more employment opportunities by means of export promotion, world class infrastructure and tax holidays etc.,

**Enigma Era of SEZ in Human Resource Development:** While comparing the incremental investment and employment generation in the last decade, there is a paradigm in the proportion. Table 3 shows the analysis of investment and employment generation during the last decade.

**Table 3: Proportion of Investment made with employment generation in SEZ**

Period	Investment	Employment (persons)	Investment per employment (Rs.)
Up to Feb. 2006	Rs. 4,035.51 cr.	1,34,704 PERSONS	2,99,583.53
2006-2017	Rs. 4,44,796.92 cr	16,88,747 PERSONS	26,33,887.25
As on Sep. 2017	Rs. 4,48,862.43cr	18,23,451 PERSONS	24,61,609.50
Incremental growth	111.23 times	13.54 times	8.214 : 1

Source: Calculated by author.

### CONCLUSION

The present study finds a new exemplar thought about the SEZ performance. As per the government factsheet published by the Ministry of Commerce and Industry, during January 2018, as on September 2017, the proportion of investment with the employment generation is 8.214 is to 1. The investment made in SEZ during last decade increased by 111.23 times but employment generation increased by 13.54 times. Unfortunately, per employment cost in SEZ is approximately Rs. 24, 61,600. In easy words, the cost incurred to create one employment opportunity in Special Economic Zone is nearly 24.61 lakhs.

Therefore, the current study suggest that if this investment are made in micro, small, medium enterprises, they may create more employment opportunities than current employment level, and the Gross Domestic Product will be considerably increased which in turn the possibility of more export promotional activity through MSME. Secondly, if a part of this investment made in the primary sector, India will be the number one country in the globe in food production.

### DISCUSSION

The modus operandi of the current the current study, is to analyze the proportion of investment made in SEZ in the last decade with the proportion of employment generated in the same period. The inference of the current research indicates that there is an abnormal proportion between investment and employment generation in SEZ.

This paves way for new research on Investment appraisal of SEZ, Human resource strategy of SEZ, re-structuring the EXIM policy and provision for better economic development etc. The current discussion exposes that high value for the investment in case of per employment generation ranging 24 to 25 lakhs.

**Ethical Clearance:** Completed. (Dept. level committee at VELS)

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**Conflict of Interest:** NIL

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