

SPECIAL ECONOMIC ZONES (SEZs) IN INDIA: REVISITING SOME POLICIES AND THE WAY FORWARD

Abstract

Special Economic Zones (SEZs) are considered as a model for economic growth. The primary objective of SEZs is to enhance export, bring investment and generate employment. The rules of business inside the SEZs are different from rules of rest of the country. Present study has primarily focused on three different aspects of SEZs. First, since the introduction of SEZ Act, 2005, India has experiences mushrooming of SEZs and more particularly in Information Technology/Information Technology enabled Services (IT/ITeS) sector. However, a large number of IT/ITeS SEZs could not take-off in the last decade even after passing of considerable time. Secondly, it is noted that not all states which have received SEZ investment has formulated State SEZ Act/Policy. State-wise investments in SEZs are found having variations within the state and among the states. Thirdly, the employment generated by SEZs are found regionally concentrated and that too mostly in IT/ITeS sector. In this context the study is conducted with 3 different objectives. These are to identify the factors which act as constraint to make operational of IT/ITeS SEZ in India, to study the impact of State SEZ Act/Policy on investment in state(s); and lastly to study the employment generation by SEZs in India. On obtaining surveyed data from identified SEZ developers, confirmatory factor analysis has been carried out to obtain the first objective. Panel data regression analysis is done on investment being dependent variable and other microeconomic variables for second objective. For third objective, state-wise and sector-wise employment have been analyzed. The study identifies six factors which are acting as constraint to make operational of IT/ITeS SEZs in India. These factors cumulatively contribute 79% of the variations. For second objective, it is found that State SEZ Act/Policy has a very significant role in bringing investment in SEZs in that state. In recent years, SEZs have created a large number of job opportunities. However, not all sectors have generated equal number of employments. It is very high in the IT/ITeS sector and that too concentrated in few SEZs.

Practical Implications: Findings of the study may be used by Central/State government(s) to make operational of large number of IT/ITeS SEZs which are presently lying non-operational since a long period of time. In turn this will increase export and generate more employment. The states which are yet to come out with SEZ Act/Policy should consider the same with fiscal and non-fiscal stimulus to bring investment. Additionally, states may focus on bringing investment in large employment-oriented service industry to augment employment.

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