

Special Economic Zones (SEZ's) and its Impact on Employment

Dr.Honrao Parmeshwar M.

Assistant professor of Economics, Shri Sant Damaji College Mangalwedha, MH. India

Abstract

Special economic zones (sez's) denote geographical area which enjoys special privileges as compared with non sez area in country. The main motivation was force for a view to boost exports by attracting both India and foreign corporate to undertake investment in these areas. An approach of planning commission to the 11th five year plan in (2006). wide explanation that the 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.

Keywords: Special economic zones (sez's), employment generation, investment, Development

Introduction

The new economic spaces or special economic zones in India came into effect with the passing of the Special Economic Zones (SEZ) Act 2005. The history of such zones in India predates to the setting up of Export Promoting Zones. India set up its first Export Processing Zone (EPZ) in 1965 in Kandla followed by Santacruz EPZ in 1973. These EPZs did not enjoy fiscal and custom incentives like the SEZs and FDI rules and regulations were also strict. The Tandon Committee Report in 1981 argued that free trade zones would generate export if they are exempted from various controls and regulations in place. Following this recommendation four EPZs came up in 1984 at Noida (Uttar Pradesh), Falta (West Bengal), Cochin (Kerala) and Chennai (Tamil Nadu). Another EPZ was set up in Vishakhapatnam in 1989.

SEZs defined as 'delineated duty-free enclaves and are deemed foreign territories for the purposes of trade of trade operations, duties and tariffs'. In India, a number of export promoting initiatives have existed, of which the major ones are Export oriented Units (EOU), electronic hardware technology park (EHTP), software technology park (EHTP) and export processing Zones (EPZ). India's integration with global market with liberalization with of trade and industry and consequent availability of employment opportunity has been a complex issue. India's Special Economic Zones (SEZ) Act, 2005, catalyzed an enormous response from the private sector as well as state government officials eager to attract investment.

The geographical areas thus notified were declared to be outside the normal customs territory of India. The 'Special Economic Zones' (SEZ) policy announced in April 2000 was intended to make the SEZs as growth engines that can boost manufacturing, augment exports and generate employment. SEZ is a specifically delineated duty free enclave and is a deemed foreign territory for the purpose of trade operations, duties and tariffs. Accordingly, goods and services from domestic tariff area (DTA) to SEZ are to be treated as exports and goods coming from SEZ into DTA are to be treated as imports. SEZs functioned from 1 November 2000 to 9 February 2006 under the provisions of the 'Foreign Trade Policy' (FTP) and fiscal incentives were made effective through the provisions of the relevant direct and indirect tax statutes.

Minimum Area Requirement for setting up SEZs

1. 1000 hectare for multi-product SEZs;
2. 100 hectares for sector specific SEZs; and 10 hectares with minimum built up processing areas of 100,000 sqm, 40,000 sqm and 50,000 sqm for IT, Bio-technology, gems & jewellery SEZs respectively.
3. Most of applications for multi-product SEZs have been in the range of 1000 hectare to 2500 hectare – only two cases with 10,000 hectare.
4. No maximum land area stipulated since it is the State Government, which is to decide upon the approval and land use stipulation.
5. Lesser minimum area requirement in respect of special states viz., Assam, Meghalaya, Nagaland, Arunachal Pradesh, Mizoram, Manipur, Tripura, Himachal Pradesh, Uttarakhand, Sikkim, Jammu & Kashmir and Goa & union territories.

Financial incentives and facilities offered to SEZs for Investors

Under the provisions of SEZ Act, several tax incentives and other facilities are offered to the SEZ Developers and units are following.

Direct Tax Benefits:

1. 100 per cent income tax exemption for Entrepreneurs on export income of SEZ units under section 10AA of the Income Tax Act for first five years, 50 per cent for next five years thereafter and 50 per cent of the ploughed back export profit for next five years.
2. Income Tax exemption for Developers on income derived from the business of development of the SEZ

in a block of 10 years in 15 years under Section 80 AB of the Income Tax Act.

3. Exemption from Minimum Alternate Tax (MAT) under section 115JB of the Income Tax Act (withdrawn from 1st April 2012),
4. Exemption from Dividend Distribution Tax (DDT) under section 115-0 of the Income Tax Act (withdrawn from 1st June 2011).

Indirect Tax Benefits

1. Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units,
2. Exemption from Service Tax (Section 7, 26 and Second Schedule of the SEZ Act),
3. Exemption from Central Sales Tax,

Non Fiscal Benefits

1. External commercial borrowing by SEZ units upto US \$ 500 million in a year without any maturity restriction through recognized banking channels,
2. Single window clearance for central and state level approvals.
3. Exemption from state VAT tax, stamp duty and other levies as extended by the respective State Governments.

Salient Features of the SEZ S

The SEZ Act 2005 and the Rules were enacted with the following Main objectives are:

- i. generation of additional economic activity
- ii. promotion of exports of goods and services;
- iii. promotion of investment from domestic and foreign sources;
- iv. creation of employment opportunities;
- v. development of infrastructure facilities

Employment generation has been the chief objective behind the development of these SEZs. SEZs are viewed as highly effective tools for job generation.

Investment and Employment: According to ministry of commerce and industry invest and their result impact on employment in india unde the sez As on 30.06.2011, over Rs. 2,12,914.36 Crore has been invested in SEZs of which Rs. 2,08,878.85 Crore was invested after enactment of the new Act in 2006. As on 30.06.11 The direct employment is being provided to 7, 14,412 persons in SEZs of which 5, 79,708 persons have been provided jobs subsequent to enactment of the SEZ Act 2005.

The sez policy is development oriented in order to attain state of Maharashtra objective of encouraging the growth of industries in the state. the government sez policy s pertaining to the sez has to be industry friendly. Maharashtra has a total of 206 proposed SEZs followed by Andhra Pradesh (189), Tamil Nadu (147), Karnataka (102), Haryana (98), and Gujarat (87)1. Of these 206 SEZs, 64 are notified, 104 have acquired Formal Approval and 38 have acquired In-Principle Approval.

The government of Maharashtra sez policy is formulated with the special measures to ensure that the policies help the growth of the sez. The government has decided to sty the lad acquisition process in the state. There are 54 sez in the final notified stage in the state among these in pune account for 28% sez its setup .all in the IT sector are together project an employment potential.

Objectives

1. To identified the impact of SEZ on Employment generation in pune area.
2. To examine current and total employment by notified sezs in pune area.
3. To examine the government policy on SEZs.
4. To find out the increase investment in core strength areas such as IT/ITES, software products and serving.
5. To suggest measures expanding employment opportunities.

Methodology

Analysis is based on primary as well as secondary data to conducting the study for analysis of this project work. Primary data mainly composed of the Impact of SEZ on employment generation, where researcher talked with persons from different field and collected their views and information, which helped us a lot to broaden our outlook on the topic.

The Data

Primary Database

The primary data is drawn on field based questionnaire survey. While the structured questionnaires for zone enterprises, the latter were unstructured interviews with zone enterprises. The survey was conducted in all ten operational zones at the point of time. The survey taken two fully-structured questionnaires were administered-one each the management and labour.the questionnaire for the enterprise survey had five parts covering employment and wage structure, monetary and non monetary perks facilities provided to works, training arrangements for labour, management-labour relations. For the labour survey, I interviewed ten workers in each

selected unit. total 100 workers were interviewed .A fully structured questionnaire for workers solicited their responses on working conditions, living conditions, on the job training ,learning experiences, human resources practices in their plants and recruitment processes, and satisfaction levels.

Secondary Database

Other secondary sources used for the analysis were Ministry of commerce industry website, internet sources, also Academic literature and newspaper articles. I thus compiled time series data total investment, total employment for econometric analysis for all the zones for all the years since their inception sezs for the period 2010-2013.

Limitation of the study

1. Collected all possible and available primary data of the units working in the SEZ.
2. Study period only for 2008 to 2013.

Findings

1. The composition of employment generation at the average level indicates that near about 80% of employment is being generated directly.
2. In the composition of employment generation in pune area by sezs, the IT/ITES SEZs stands at the top both in current employment and total employment.
3. The SEZ plays a very important role in providing additional benefits to the employees other than wages. It observation of the study is that above 80% units are providing the bonus to their employees timely.
4. Training is provided by above IT/ITES units of the SEZ. However, they are mostly providing internal training. Almost 15% they have promoted international training.
5. Units are providing direct employment to over 193,316 persons, out of which 64675 (33.45%) are women.
6. Incremental investments have shown a positive growth rate over a period of time barring few years
7. Employment has been increased significantly from 34.76% in FY2009 to around 80. % in FY2013.
8. Total employment generation Infosys, wipro, EON & Syntel is in the top position (60%)
9. Wipro, Infosys are at top and the above two sezs put together have generated about 50% of employment.

Conclusion

The central point this research seek to facilitate the development of large employment generating SEZs to contribute to employment generation in the country, two important aspects need to be addressed. First, a more balanced regional spread of SEZs helps to achieve balanced regional development. Second, it is important to encourage manufacturing, agro-based and low-skill oriented units in SEZs so as to help the low-skilled population and those with secondary education get employment.

References

1. Kumar, Ranjan (2006), "SEZ: Capturing me Foreign Market", Southern Economist, Vol. 45, September
2. Shalti Research Group. 2009. SEZ in West Bengal : Growth, Trajectory Impact. Camp: Kolkata
3. Aradhna aggarwal (2007) impact of special economic zones on employment, poverty and human development indian council for research on international economic relations
4. Government of India Ministry of Commerce and Industry
5. Aggarwal, Aradhna (2006): "Special Economic Zones: Revisting the Policy Debate", Economic & Political Weekly, Vol. XLI, No 43-44, p 4533-4536
6. Sampat, Preeti (2008): "Special Economic Zones in India", Economic & Political Weekly, Vol. 43, No. 28, P. 25-29.