

EXPORT PERFORMANCE OF SPECIAL ECONOMIC ZONES IN INDIA AND ITS ECONOMIC CONTRIBUTION

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Abstract— Growing population and increasing demand have paved a great scope for international trade. Countries, through international trade, have started to exchange their commodities that are surplus produced to satisfy the scarcity of the particular commodity in another country and make profit out of surplus produced. International trade on insight has been contributing to economic development by bringing in foreign currencies and foreign direct investment, which in turn reducing the demand for foreign currencies and increasing the value of home currencies in the international market, providing employment opportunities, popping up of new products and services, better infrastructure and so on. Special Economic Zone (SEZ) is an area governed and run through surveillance of government to promote international trade for uplifting the economy of the nation. Necessary infrastructure and other such accommodations will be present in SEZ to assist and promote companies within the SEZ to do international trade. In India, SEZ is currently operating in 15 states, among which only 4 states i.e. Gujarat, Tamil Nadu, Karnataka, and Maharashtra are actively performing. Export from SEZ is contributing a significant amount to the total export. On the calculation of total export and export from SEZ contribution, It is been noted that on an average 13.69% - 18.19% of the GDP is contributed by export among which 0.67% - 5.07% is export from SEZ. The linear equation thus obtained considering investment, employability and exportability level, it is been calculated that SEZ is currently underperforming than a previous year considered for the study.

Keywords— Export performance of SEZ, SEZ economic contribution.

INTRODUCTION

Scarce and surplus of various goods among nations have undeniably revolutionized the export activities in the current scenario. Export which is viewed myopically in past is seen as the boon to make a profit out of surplus goods produced within the country and to satisfy the demand of scarcity of particular commodity in other nations. Various cognitive studies and researchers affirm that exports are directly linked and proportional to economic development, it is for the reason that – Export helps in attaining foreign currencies and Foreign Direct Investment (FDI). Foreign currencies thus obtained through export reduce demand for particular foreign currencies, thereby raising the value of domestic currencies in the international market, which in turn increases the money value and purchasing power of the people in the domestic nation over a period of time. While FDI helps in providing employment opportunities, new goods, and services for consumption, better infrastructure, the government obtains permanent and secured national income, people enjoys consumption at reduced price of goods and commodities due to competition, better convenience in buying a product or services and so on. The realization of the beneficiary impact of export have made the emergence of SEZ in different countries, these zones are excessively infrastructure to provide assistance and promotion for exporters and international traders.

In Indian, the SEZ was first set up in Kandla during the year 1965 (SEZ-India, <http://www.sezindia.nic.in>, 2016). The infrastructural arrangement for SEZ is made with an objective to overcome shortcomings of clearance and to control a multiplicity of goods exported. SEZ in India at present is governed by Special Economic Zones Act (2005) (india.gov.in, 2016). From the period of it initiated, its performance was yielding a marginal return to the economy, but during post-liberalization, a complete evolution was made and SEZ impact on the economy was very much sensed, thereby the similar type of set-up was started to pop-up in different regions of India. There exists 19 and above SEZ established under SEZ Act (2005) in 15 states with 388 notified companies within SEZ in India, which are currently operating actively as per data - (sezindia, 2016). As per the data published during March 2016, For the investment made by the state and central government- a sum of Rupees 3,76,494 - SEZ is providing employment for 15,91,381 people and have exported goods for the value of 4,67,337 Crore Rupees (sezindia.gov.in, 2016).

EXPORT PERFORMANCE OF SEZ IN INDIA

In the span of 10 years since SEZ Act, which is enacted during February 2006, nearly 408 formal approvals for SEZ have been made and there exists 204 operational SEZ encapsulating 4166 units within it. It is this reason; SEZ contribution is increasing with respect to total export every year. Below Depicted the 10 Years SEZ export performance and its contribution to total export.

Table 1: SEZ Export Performance (2006-2016)

Years	*SEZ - Exports	Growth over previous year	**TOTAL - Exports	Export Contribution
	Value in Rs. Crores		Value in Rs. Crores	Percentage
2005-2006	22,840	-	456417.9	5.00
2006-2007	34,615	52%	571779.3	6.05
2007-2008	66,638	93%	655863.5	10.16
2008-2009	99,689	50%	840755.1	11.86
2009-2010	220711	121%	845533.6	26.10
2010-2011	315868	43.11%	1136964	27.78
2011-2012	364478	15.39%	1465959	24.86
2012-2013	476159	31%	1634318	29.14
2013-2014	494077	4%	1905011	25.94
2014-2015	463770	-6	1716378	27.02
2015-2016	467337	0.80%	2351270	19.88

Source: * (sezindia, 2016), ** (economics, 2016)

Discussion

Since 2006 SEZ is exhibiting increment in the export value till 2014. It is during the period 2014-2015, there is a declining trend in the export value of the goods. The growth pattern thus calculated is depicting that SEZ has performed well during the past years than the recent years, it can be clearly noted that till 2010 the export performance in terms of values are exponential and after 2010 i.e. from 2011 their growth is steadily linear and during 2015 it has declined. The calculated Contribution percentage of SEZ with respect total export is indicating incrementing value in contribution percentage with respect to every year, that is been considered for the study.

Interpretation

From the analysis made, it is clear that despite a decrease in total export, SEZ contribution to total export is increasing and is expected to increase. Growth percentage of SEZ indicates direct proportionality with total export.

Table 2: State wise export from SEZs (2006-2016)

S. No.	State /UTS	*Total Export From SEZs (2008 to 2015) (Values in Cr.)	Mean	S. D.	SEZs Total Share-%
1	Gujarat	1199775.33	171396.48	89467.64	46.54
2	Karnataka	241254.96	34464.99	19814.40	9.36
3	Tamil Nadu	367886.46	52555.21	22871.24	14.27
4	Maharashtra	230340.52	32905.79	19594.52	8.93
5	Kerala	145489.98	20784.28	9616.42	5.64
6	Andhra Pradesh + Telangana	140340.72	20048.67	13763.78	5.44
7	Uttar Pradesh	82683.09	11811.87	5166.11	3.21
8	West Bengal	110341.95	15763.14	3725.76	4.28
9	Haryana	30295.92	4327.99	3474.60	1.18
10	Madhya Pradesh	11929.60	1704.23	1098.78	0.46

S. No.	State /UTS	*Total Export From SEZs (2008 to 2015) (Values in Cr.)	Mean	S. D.	SEZs Total Share-%
11	Rajasthan	9076.38	1296.63	697.48	0.35
12	Chandigarh	6934.48	990.64	797.01	0.27
13	Orissa	1364.09	194.87	149.54	0.05
14	Chhattisgarh	17.09	2.44	3.77	0.00
15	Goa	0.00	0.00	0.00	0.00
	All Indian total exports in SEZs	2434752.23	347821.75	147382.97	100.00
	Mean		25749.76		

Source: * (sezindia, 2016)

Discussion

From the table, it is to be noted that, it is Gujarat which is contributing nearly half (46.54%) of the export value followed by Tamil Nadu and Karnataka whose export value contribution in percentage are 14.27 and 9.36 respectively. The mean value thus calculated for period 2008-2016 is indicating the highest value for Gujarat followed by Tamil Nadu and Karnataka and least value for Orissa, Chhattisgarh, and Goa, which is calculated to be ranging from 0-200, whose export value contribution is nearly 0%.

Interpretation

It can be noted that SEZ in various states is not functioning effectively. The export contribution value is an evident that only Gujarat, Tamil Nadu, Karnataka and Maharashtra is contributing significant value to total export, while rest of the SEZ functioning at 11 states producing less than the 25749.76 crores rupees, which is calculated mean considering all states.

ECONOMIC CONTRIBUTION

The significance of any variable with respect to the economy can be measured by its impact on country's GDP (Dr. A. Elangovan, 2013). Henceforth Export contribution to Indian GDP and Export contribution through SEZ to Indian GDP is measured whose table is depicted below:

Table 3: Total Export and Export from SEZ Contribution to GDP

Year	**Total Export	*Total Export From SEZ	**GDP	GDP Contribution by Export	GDP Contribution by Export from SEZ
2006	456418	22840	3,390,503	13.46	0.67
2007	571779	34615	3,953,276	14.46	0.88
2008	655864	66638	4,582,086	14.31	1.45
2009	840755	99689	5,303,567	15.85	1.88
2010	845534	220711	6,108,903	13.84	3.61
2011	1136964	315868	7,248,860	15.68	4.36
2012	1465959	364478	8,391,691	17.47	4.34
2013	1634318	476159	9,388,876	17.41	5.07
2014	1905011	494077	10,472,807	18.19	4.72
2015	1716378	463770	12541208	13.69	3.70
2016	2351270	467337	12552556 (Trend)	18.73	3.72

Source: * (sezindia, 2016), ** (RBI, 2016)

Discussion

Through the calculation made, it is been found that there exists no correlation between GDP contribution by export and GDP contribution by export from SEZ. It can be noted in the year 2009-2010, 2011-2012, and 2013-2014 that, for increased value of GDP contribution by export there is decreased the value of GDP contribution by export from SEZ. Also, for the period 2012-2013, for decreased value of GDP contribution by export, there is increased value in GDP contribution by Export from SEZ.

Interpretation

Despite sine waveform in values of export contribution to GDP in percentage, export contribution to GDP through SEZ have demonstrated steady increase from the year considered for the study with only one downfall during the year 2015. It is important to note that overall Export and export through SEZ is making a significant contribution to GDP. It is to be noted that on an average 13.69% - 18.19% of the GDP is contributed by export among which 0.67% - 5.07% is export from SEZ.

Table 4: Data on Investment, employment, and Export for the years 2006 & 2016

<i>Year</i>	<i>Investment (Cr)</i>	<i>Employment (Persons)</i>	<i>Export (Cr)</i>
2006	4035.51	134704	22840
2016	376494	1591381	467337

Source: (SEZ-India, sezindia.gov.in, 2016)

Table 5: Linear Equation Analysis using above data

<i>2006</i>	<i>2016</i>
4035.51(I) = 134704 (E) + 22840 (Ex) (I) = 33.38 (E) + 5.66 (Ex)	376494 (I) = 1591381 (E) + 467337 (Ex) (I) = 4.23 (E) + 1.24 (Ex)

*(I) – Investment in crores

*(E) – Employment

*(Ex) – Export in crores

Discussion

On closer sight on linear equation thus obtained with respect to investment, employability and export in closeness with the year 2006 and 2016, it is found during 2006 the employability and exportability rate was high per crore of investment compared to 2016. I.e. during 2006 per crore of investment made approximately 34 people are employed and export values are calculated to be 5.66 times the investment made or per crore of investment 5.66 crores of export, values are obtained. While on comparing against employability and exportability rate with the year 2016 – for every one crore of investment approximately 4 people are employed and per crore of investment only 1.24 crore is obtained through export values, which is comparatively less than 2006 in terms of employability and export value.

Interpretation

The equation obtained from the data indicates that, though the investment has been increased to many folds since 2006 there is lagging optimum utilization of the investment made currently during 2016, this be illustrated with employability and exportability rate thus obtained per crore of investment. There is a downfall in employability rate by nearly 29 persons and 4.42 crores fall is an export value when comparing 2006 performance of SEZ. There forth the current operational performance of SEZ is underutilized despite government investment made on it or government could have made the surplus investment.

CONCLUSION

With the analyses made it can be interpreted that, SEZs is contributing a significant amount to total export value and the value of the contribution is progressing every year linearly. It is been found that only 4 states i.e. Gujarat, Tamil Nadu, Karnataka and Maharashtra are actively utilizing the SEZs and contributing more than half of the Export value from SEZ, while rest of the 11 state SEZ production and export value are contributing less than 25749.76 crores rupees. It is found that on an average 13.69% - 18.19% of the GDP is contributed by export among which 0.67% - 5.07% is export

is from SEZ. Insight on SEZ performance with respect to employability and export performance with respect to the year 2006 and 2016; in 2016 employability and exportability level are very less, it is calculated that only 4 persons are employed for the investment of 1 crore rupees and the SEZs could fetch only 1.24 time the value of investment made through export, which is once again calculated to be less compared to export value in 2006. The reason can be seen as; either the government has made surplus investment or SEZs in the various states are not effectively utilizing the SEZ facilities or both situations have led to underperformance of SEZ in recent times.

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