

SEZ ACT 2005: A MASTERSTROKE

(W.R.T PVT SEEPZ SEZ).

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ABSTRACT

The Sez Act, 2005 and its Rules 2006 is a master piece central legislation. The new Act is a reflection of contemporary approach on India's export policy and sow the seeds for rapid industrial development. It reinforces the objectives of classical Sez viz multiplication of economic activity, promotion of export, employment and investment, backed by strong infrastructure. To achieve the above goals, the Act provides a conducive legal framework by providing duty- free environment, single window clearance and attractive fiscal concessions to the developers and units of Sez. The present paper is an attempt to measure the expansionary effect of the Act on the development of Pvt Seepz Sez. The parameters chosen are export and sector-wise export. The researcher has applied suitable statistical tools such as percentage growth, mean, standard deviation and CAGR, to measure the performance. Pvt Seepz Sez export has been compared to the overall Sez export. Major sectorial contribution had been studied separately. The finding reveals that after the implementation of the Act the export performance is of Pvt Seepz Sez is commendable, no doubt sectorial imbalances exist. The Sez Act has added the required vigor, vitality and enthusiasm in the Sez arena.

KEY WORDS: SEZ, Sez Act, 2005, Pvt Seepz Sez, Sectorial export.

INTRODUCTION SEZ AND SEZ ACT, 2005:

The urge for development of economies have given rise to various instruments and business organization. One such model is " special economic zones ". Sez became catch phrase across the globe in the last century. India is no exception. Sez as name suggest are "special", meaning dedicated enclaves, with distinct goals, exclusive environment and superior concessions. They enjoy liberalized business environment, coupled with unparalleled infrastructure. The Sez Act, 2005 defines " Sez as a specially delineated duty-free enclave and shall be deemed foreign territory for the purpose of trade operation, duties and tariffs".

The objectives of the classical Sez has been re-enforced by the Sez Act 2005. The revered objectives of setting up Sez are:

1. Generation of additional economic activity.
2. Promotion of export of goods and services
3. Promotion of investment from domestic and foreign sources.
4. Creation of employment opportunities.
5. Development of infrastructure facilities.
6. Maintenance of sovereignty and integrity of India, the security of state and friendly relation with foreign States.

India was the first country in Asia to set up an EPZ in Kandla in the year 1965. It didn't prove to be an inspiring story to pave way for the development of Sez in India. China joined the race in the year 1980 put was able to produce high results for its economy in a very short period. Gauging the success story of China, India established five central EPZ during the period 1980-90. A separate legal policy was need of the hour to strengthen the EPZ. Here came the Sez policy 2000 which converted the EPZ to Sez. To further bestow legal sanctity to Sez the Sez Act, 2005 and Sez Rules, 2006 came into being.

REVIEW OF LITERATURE

Jha 2018- The author has reported that F.Y 18 has seen an upswing of 19% in Sez export, this impressive performance is in spite of the withdrawal of fiscal benefit viz MAT, DDT & Sunset clause. The upswing is due to prompt clearance. The total export of Goods & Services has touched a mark of \$5550 billion in F.Y 18. Another factor working in favor of Sez is ease of doing business is materializing. Land acquisition even for an foreign investor in not an arduous task. The author concludes by mentioning the claim of the chairman of EPCS that they assure unconditional support for foreign investors to establish business in India.

Kalate & Pimple 2018- The author has evaluated the performance of Sez in India, well known benchmark of export, employment & investment are chosen as performance indicators.

In export analysis the author has highlighted that during the period from 2005-06 to 2016-17 the export is fluctuating ranging from -6% in 2014-15 to as high as 120% in 2009-10. Last two years shows a recovery of 12%. The export figures indicates an appreciable growth since the implementation of Sez Act, 2005. The author concludes that the contribution is lopsided by few Sez and few sectors.

Rande 2007- Special economic zone- Global & Indian experience- The book contains dedicated chapters on the Sez Act, 2005 & Sez Rules, 2006. The author has highlighted the major changes in the area of types of Sez, ease in establishment of Sez/units fiscal incentives. The author mentions that the single window clearance is a signal of government's pious intentions of attracting foreign investments & will contribute usually in creating a conducive environment. The author concludes that we have to wait & watch weather the above act will produce the desire results. India can tap its cost and knowledge advantage to make it a favorable destination for doing business.

IMPORTANCE OF THE STUDY

The SEZ Act, 2005 and its rules 2006 is one of the major central legislation. The new policy represents the current and contemporary thinking on India's export policy and lays down a roadmap for future industrial development. The main aim was to boost export by providing duty free environment, simplifying procedures through single window clearance and huge tax concession to units of Sez. The law is believed to give impetus not only to export but also to attract FDI into the country, encourage private investment and increase employment opportunities. Keeping these sacred objectives in the background the present study holds relevance and importance as it in endeavor us to find out whether the SEZ Act, have achieved its objectives.

OBJECTIVES OF THE STUDY

1. To test the effectiveness of changes brought in by the Sez Act, 2005.
2. To analyze the export performance of Pvt Seepz Sez under the jurisdiction of Seepz.
3. To evaluate the sector wise performance of Pvt Seepz Sez setup, post Sez Act, 2005 under the jurisdiction of Seepz.
4. To analyse the underutilization of units that is number of non-operational units.

METHODOLOGY

To study the expansionary effect of Sez Act, 2005 an extensive desk and analytical research is involved. To do justice with performance evaluation descriptive research is inadequate, it needs a critical bent of mind to locate hidden facts in the performances. The performance indicator chosen for the present study is total export, sector wise export. The study would throw light on the performance along with the reasons behind the performance of the Pvt Seepz Sez. It would also highlight the obstacles in the path of progress.

To analyse the above secondary data has been used. Data has been fetched from the following sources.

- Development commissioner's Office of Seepz.
- Economic Survey of India.
- Websites of Sez/EOU.
- Journals, newspapers, thesis.

SCOPE OF THE STUDY

The present study is regional level that is Pvt Seepz Sez set up under the Sez act, 2005 falling under the jurisdiction of Seepz. This analysis will help to bring out the fact whether substantial contribution has been made by the Pvt Seepz Sez. The study will facilitate the policymakers to design pragmatic policies to be implemented at micro level. The study period covered are recent six years that is 2012-13 to 2017-18. These are the prime post Period of the Sez Act, 2005.

STATISTICAL TOOLS USED IN THE STUDY.

1. Average growth percentage is calculated to assess the export growth.
2. Mean is calculated to determine the sector wise growth of export.
3. Standard deviation is calculated to find the quantum of fluctuation from the average.
4. Compound annual growth rate is calculated to assess the growth percentage of the performance indicated over the selected period.

LIMITATIONS OF THE STUDY.

1. The paper focuses an impact on exports since the implementation of the Act, other impact areas like employment and FDI are not covered.
2. The data relating to target export has not been shared by the development Commissioner. Therefore, the research is forced to carry out the analysis with the available data.
3. The information that units in the zone supplied to the office of development commissioner at times incomplete and not up to date.

ANALYSIS OF EXPORT OF PVT SEEPZ SEZ

Table 1(Rs in Cr)

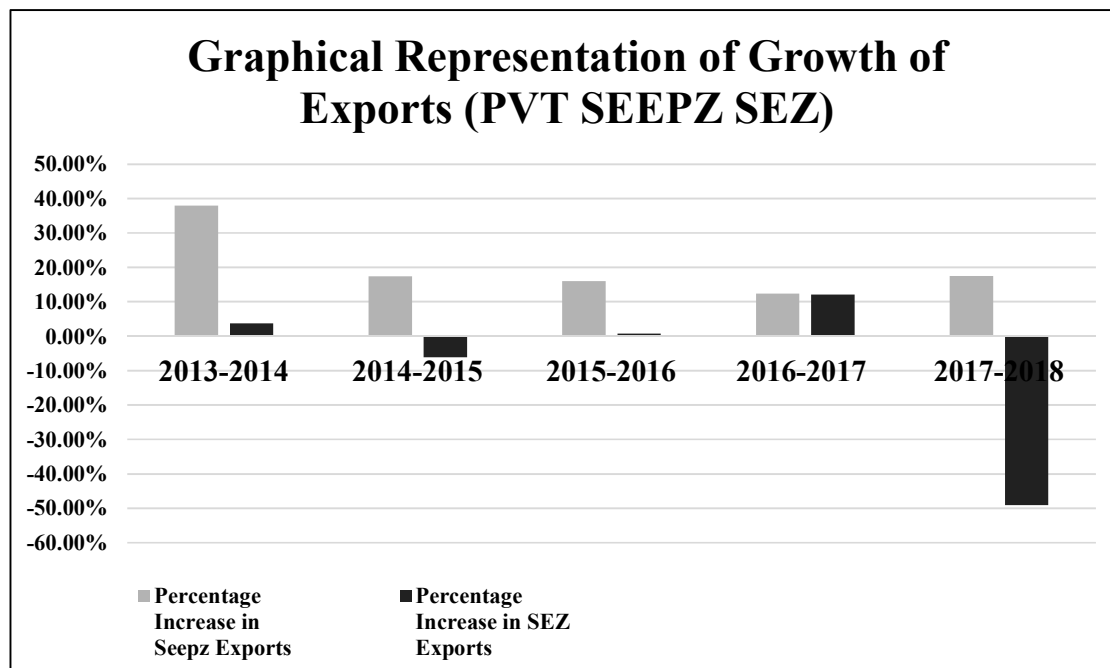
| Years | Pvt Seepz Sez Exports | % Increase in Pvt Seepz Sez Exports | All India Sez Exports | % Increase in Sez Exports | Share of Pvt Seepz Sez Export in All India Sez Exports | Operational units | Non-Operational units |
|---------|-----------------------|-------------------------------------|-----------------------|---------------------------|--|-------------------|-----------------------|
| 2012-13 | 28563 | NA | 4,76,159 | NA | 6.00% | NA | NA |
| 2013-14 | 39400 | 37.94% | 4,94,077 | 3.76% | 7.97% | 288 | 57 |
| 2014-15 | 46263 | 17.42% | 4,63,770 | -6.13% | 9.98% | 316 | 75 |
| 2015-16 | 53677 | 16.02% | 4,67,337 | 0.77% | 11.49% | 326 | 81 |
| 2016-17 | 60324 | 12.38% | 5,23,637 | 12.05% | 11.52% | 385 | 91 |
| 2017-18 | 70,877 | 17.49% | 2,66,773 | -49.05% | 26.57% | 454 | 62 |

Source- Office of Development Commissioner

The absolute figures are very impressive. The percentage growth in export does not contain any extreme figures. There is no abnormal dip in export. The growth in 2013-14 is 37.94% which is outstanding, this would not be sustained, but the growth for year 2014-15 till 2017-18 is steady and consistent.

The export growth percentage of overall Sez is not very encouraging the growth percentage is mere 3.76 percent for the year 2013-14 where as for the corresponding period the Pvt Seepz Sez have grown by 37.94%. Thereafter the growth percentage is negative, followed by less than Unity. The year 2016-17 is a consolation as the growth is 12.05% for the all India Sez. The year 2017-18 has witnessed a negative growth of 49.05% where as for the corresponding period the Pvt Seepz Sez has shown a growth rate of 17.49%. The reasons for the bleak performance of the all India Sez can be attributed to the Global recession, whereas the pleasing performance of the Pvt Seepz Sez. can be attributed to several reasons like proximity to the financial capital, strong infrastructure coastal areas of Maharashtra and Goa with good logistic support.

The Table 1 shows the share of Pvt Seepz Sez contribution in total Sez export. In all the above years the contribution is positive stable and very supportive.



SECTOR WISE ANALYSIS OF EXPORTS OF PRIVATE SEEPZ SEZ.

Table 2 explains the sector wise export for the Pvt Seepz Sez falling under the jurisdiction of Seepz. The total sector wise export achieved from the private zone stood at the 299983.75 cr, average of all the sectors amounts to 49997.29 cr and standard deviation the stood at 12563.92 cr.

Standard deviation as a statistical tool helps to comprehend the quantum of fluctuations and instability associated with the exports from these sectors.

Table 2(Rs in Cr)

| Sectors/Year | 12-13 | 13-14 | 14-15 | 15-16 | 16-17 | 17-18 | Total | Mean | SD | CAGR |
|-------------------------------|-------|-------|-------|-------|-------|-------|--------|-------|-------|-------|
| Biotech | 920 | 2537 | 2603 | 3294 | 2498 | 2681 | 14534 | 2422 | 669 | 20% |
| Electronic Software | 26230 | 32351 | 36095 | 44260 | 53623 | 63722 | 256280 | 42713 | 11866 | 16% |
| Engineering | 170 | 251 | 531 | 1140 | 2041 | 2302 | 6435 | 1073 | 778 | 54% |
| Chemical &Pharma | 15 | 20 | 42 | 61 | 102 | 87 | 325 | 54 | 30 | 35% |
| Food & Agro | Nil | Nil | Nil | 15 | 31 | 29 | 75 | 25 | 6 | 11% |
| Trading & Services | 1229 | 4214 | 6992 | 4907 | 2030 | 2056 | 21429 | 3571 | 1854 | 9% |
| Electronic Hardware | 877 | Nil | Nil | Nil | Nil | Nil | 877 | 877 | 396 | -100% |
| Miscellaneous | Nil | 28 | Nil | Nil | Nil | Nil | 28 | 28 | 0 | -100% |
| Total | 29441 | 39400 | 46264 | 53677 | 60325 | 70877 | 299984 | 49997 | 12564 | 16% |

Source- Office of Development Commissioner

SECTOR WISE ANALYSIS.

A. BIOTECH

This sector ranks third in terms of contribution to export, to the tune of rupees 14533.90 crores. The average export stood at 2422.32 crores with standard deviation of 669.26 crores and the compound average growth rate at 19.51%. The growth pattern reveals consistency and there are no wide fluctuations in growth. The CAGR of 19.51% is appreciable.

B. COMPUTER AND ELECTRONIC SOFTWARE

This sector ranks first in terms of absolute export among all the sectors. The total export sums up to rupees 256280.44 with an average of 42713.41 crores. The standard deviation stood at 11866.10 crores and the CAGR is 15.94%. There has been a constant increase in the export of this sector. A big leap is witnessed in the year 2017-18. CAGR of 15.74% is satisfactory.

C. ENGINEERING PRODUCT

This sector ranks 4th among all the sectors. The aggregate export is 6435.23 crores, the mean is 1072.54 cr, SD is 777.13 cr and CAGR is 54.40%. Over the study Period there is a constant increase in the growth. The CAGR of 54% is commendable.

D. CHEMICALS AND PHARMACEUTICAL

The absolute figures of export amounts to rupees 325.27 cr is not so impressive as compared to other sectors. The average stood at 54.21 cr and SD at 29.97%. The growth has not been stable, there is a downfall in the most recent years. The CAGR is impressive i.e. 34.65% which is higher than the top 3 ranking sectors.

E. FOOD AND AGRO

This sector has joined late in the race from 2015-16. The total export stood at 75.43 cr. The average is 25.14, the SD 6.09 and CAGR is low at 11.26%. The growth appears to be fluctuating. It will need more years to stabilize and perform.

F. TRADING AND SERVICES

This sector ranks second in terms of absolute export amounting to rupees 21428.94 cr. The average exports over the period of study is 3571.49 cr, it has a high SD of 1853.92, The growth is not

consistent. There are wide fluctuations over you period. The CAGR is the lowest among the performing sectors.

The electronic hardware and miscellaneous sector are non-operational and non performing.

FINDINGS, SUGGESTIONS AND CONCLUSION.

1. The export performance of Pvt Seepz Sez under Seepz is commendable Vis a vis the overall performance of export of all Sez.
2. The most prominent reason for the excellent performance in export is the diversification of export basket. The Pvt Seepz Sez have move away from the sectors of conventional Central Seepz. They have moved into greener pastures like Biotech, chemical and Pharma, food and Argo service and engineering products. IT and ITES remains common.
3. The IT /ITES sector is dominating Pan India Sez. The Pvt Seepz Sez are no exception. This is followed by trading and services and Biotech. The least contribution is from the food and Agro sector. The electronic hardware sector is defunct. There is lot of variation in the computer and software sector as compared to the other sector. The average growth of Engineering sector is the highest though it attends 4th position in absolute terms of export. In almost all the sectors the standard deviation is less than the mean value which shows more consistency and less variation. all in all export performance is outstanding.
4. The number of nonoperational units shows that there is under-utilization of capacity and wastage of natural resources.

SUGGESTIONS

1. The Pvt Seepz Sez should be encouraged even in the interiors of Maharashtra for an even development of the region. presently, they are located in Mumbai, Vashi, Airoli, Konkan, Pune and Goa.
2. Undoubtedly, the export performance is praiseworthy. Its contribution to the foreign exchange earnings is also appreciable. The cause of worry is that few sectors are dominating and are major contributors. Such lopsided sectoral development should be avoided and a balanced growth of all the sector should be encouraged either through positive or restrictive legal interference.
3. The electronic hardware sector should be revived.
4. Import monitoring of Pvt Seepz Sez is equally important. Necessary imports should be encouraged and monitored to convert into gainful export. it needs to be stabilized to minimize the negative effect on balance of trade.

5. Lastly the unutilized and underutilized capacity should be tapped. The number of non-operational units should be revived and made active. This will lead not only to increase in export but will also bring employment to the jobless and the precious FDI and investment would be saved.

CONCLUSION

The Masterpiece legislation has played a master stroke the Sez Act, 2005 and rules 2006 have lived up to its expectation. The duty-free environment single window clearance ease of doing business coupled with fiscal incentives and concession has successfully revitalized and added vigor and vitality to the special economic zones few words of caution, this research focuses on one dimension of positives i.e. exports, the advantages in terms of employment and investment needs to be quantified and researched. Besides the benefit analysis the cost analysis is pending. The message remains that let complacency not creep in, there is still a long innings to be played.

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