



# SEZ-Led Economic Growth: Evaluating The Impact Of Export Promotion Policies On Developing Countries, With A Focus On India – An Analytical Study

Dr. Gaurav Sahu<sup>1</sup>, Dr. Manharan Anant<sup>2</sup>, Sushma Tiwari<sup>3\*</sup>, Dr. Tapes Chandra Gupta<sup>4</sup>

<sup>1</sup>Assistant Professor, Dept. of Commerce & Financial Studies, Atal Bihari Vajpayee Vishwavidyalaya, Bilaspur.

<sup>2</sup>Assistant Professor, Dept. of Commerce, Govt. Naveen College, Jatga, District- Korba, Bilaspur.

<sup>3\*</sup>Research Scholar, Pt. Ravishankar University, Raipur.

<sup>4</sup>Professor, Dept. of Commerce, Govt. J Yoganandam C.G College, Pt. Ravishankar University, Raipur.

\*Corresponding Author: Sushma Tiwari

E-mail: tiwarisushma684@gmail.com

**Citation:** Sushma Tiwari et al. (2024), SEZ-Led Economic Growth: Evaluating The Impact Of Export Promotion Policies On Developing Countries, With A Focus On India – An Analytical Study, *Educational Administration: Theory and Practice*, 30(4), 1215-1220, Doi: 10.53555/kuey.v30i4.1637

## ARTICLE INFO

## ABSTRACT

This analytical study investigates the impact of export promotion policies, with a specific focus on Special Economic Zones (SEZs), on the economic growth of developing countries, using India as a case study. The research aims to evaluate the effectiveness of SEZs in encouraging the export of goods and services and assess their contribution to expanding employment opportunities. The study examines India's journey from the introduction of the 'Export Processing Zone' model in 1965 to the establishment of SEZs, emphasizing their role in India's export-led growth strategy.

The research reveals a significant increase in the role of SEZs in export promotion, with a 92 percent rise from 2006-07 to 2007-08. Approximately 1525 operational units within SEZs have contributed to a surge in employment opportunities, both direct and indirect. The investment landscape reflects the success of the policy in attracting diverse investments, fostering economic vitality. The study aligns with India's Vision 2020, highlighting the pivotal role of the 'Economic Zone Scheme' in shaping a strong and prosperous India.

**Keywords:** Special Economic Zones, Export Promotion Policies, Economic Growth, Employment Opportunities, India, Export-led Growth, Liberalization, Investment, Environmental Impact, Balanced Development.

## Introduction:

India marked a groundbreaking moment in Asian trade dynamics by introducing the 'Export Processing Zone (EPZ)' model in Kandla in 1965, becoming the first country in Asia to do so. Reflecting on the operational experiences, the nation identified shortcomings and embarked on a journey to attract more international trade. Despite India's modest contribution to global trade relative to its size, the government is actively pursuing export promotion policies to elevate its share to 1.5 percent by 2000, aiming to counteract the decline from the 2.5 percent contribution at the time of independence in 1947.

The export promotion policy, conceived to address the escalating foreign trade deficit, gave rise to the concept of 'Export Promotion Zones,' with the inaugural 'Special Economic Zone' (SEZ) established in Gujarat in 1965. This marked the first step in India's strategic approach toward export-led growth. The study meticulously examines the progress and efficiency of SEZs, showcasing a notable 92 percent increase in their role in export promotion from 2006-07 to 2007-08. The SEZ landscape now hosts approximately 1525 operational units, creating a surge in employment opportunities that span both direct and indirect sectors.

Crucially, the investment landscape underscores the success of the policy in attracting diverse investments. The SEZ scheme has played a pivotal role in encouraging both existing industrial houses and new entrepreneurs to establish units within these zones. The ripple effect has been the creation of new employment opportunities and the injection of vitality into the economy. The study, aligned with India VISION 2020, envisions a strong and prosperous India, with the 'Economic Zone Scheme' playing a central role in shaping this vision. As SEZs

continue to evolve, their significance in propelling India's ongoing and future development on the global stage becomes increasingly evident. Therefore, a focused exploration of the role of "Special Economic Zones" emerges as a crucial element in India's journey towards sustained economic growth.

With the adoption of the new export promotion policy, India's contribution to world trade reached 0.87 percent in the year 2001-02. If we are able to maintain the growth rate of 12 percent then the target of 1 percent can be reached by 2007 and the target of 2009 percent can be reached which will realize the absolute need to increase foreign trade to stop the increasing foreign trade deficit so that the idea of 'Export Promotion' was born. All the government efforts made for that purpose have been described in detail in the chapter. Especially keeping in mind, the need of promoting the overall niche, the idea of establishment of Export Promotion Zone which was adopted by India. The Established, the export promotion zone which was functioning before the declaration of the policy of Special Economic Zone was given the recognition of Special Economic Zone after the declaration of Special Economic Zone. Therefore, including these previously established areas and the special agencies established after the announcement of the policy, India is mainly working on these special economic zones. A comprehensive analysis of the progress and efficiency of Special Economic Zones (SEZs) has been presented. Notably, there has been a remarkable 92 percent increase in the efforts made by these SEZs for export promotion during the period from 2006-07 to 2007-08.

Examining the employment-related data reveals that approximately 1525 operational units are functioning within these SEZs, generating employment for a substantial number of individuals. This assessment encompasses both direct and indirect employment opportunities. Moreover, the study emphasizes the success of the policy in attracting investments. The received investments clearly indicate that the SEZ policy is effective in drawing financial contributions.

Initiated by His Excellency the President of India and aligned with the India VISION 2020 initiative, the study reflects the envisioned future of a strong, united, and prosperous India. The 'Economic Zone Scheme' has played a pivotal role in encouraging entrepreneurs, prompting existing industrial houses to establish new units within SEZs. This scheme has not only sparked the interest of established industrialists but has also spurred new entrepreneurs to contribute to the growth of these areas, resulting in the creation of new employment opportunities.

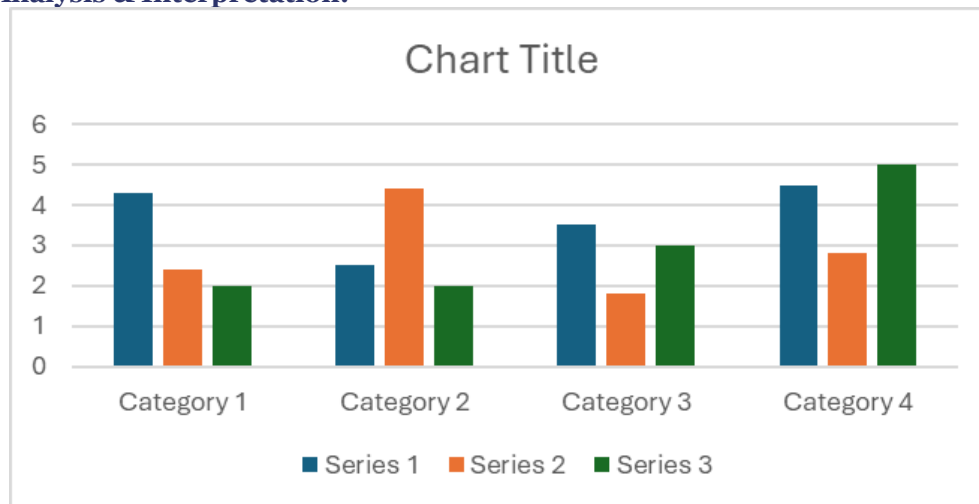
The study underscores the significance of research on the role of Special Economic Zones, indicating that such zones play a crucial role in shaping India's inevitable future role on the global stage. The SEZs, by fostering economic growth, encouraging entrepreneurship, and generating employment, contribute significantly to India's progress.

### Objectives of the study

- To investigate the impact of export promotion policies, particularly within the context of Special Economic Zones (SEZs), on the economic growth of developing countries.
- To evaluate the effectiveness of SEZs in encouraging the export of goods and services.
- To assess the contribution of SEZs in expanding employment opportunities.

The classification of economies into two categories - Developed economies and Developing economies - serves as a fundamental perspective in understanding economic development. In this context, the Indian economy is characterized as a developing economy. The challenges hindering economic development in developing nations are elaborated upon. Concurrently, a notable concern arises from the adverse impact on India's balance of payments, attributed to the post-independence surge in imports and the failure to achieve the anticipated growth in export volumes. This underscores the complexities and hurdles faced by developing economies, with specific reference to India's economic landscape.

### Research Analysis & Interpretation:



**Figure 1: Research Analysis & Interpretation****Table no. 1: Comparison of Exports, Investment, and Employment Over the Years**

Year	Exports (INR Crore)	Investment (INR Crore)	Employment (Persons)
2005-06	22,840	4,035.51	1,34,704
2020-21	7,59,524	6,17,499	23,58,136

Exports (INR Crore): The significant increase in exports from INR 22,840 Crore in 2005-06 to INR 7,59,524 Crore in 2020-21 reflects a substantial growth trajectory. This growth is indicative of the success of export promotion policies and the impact of Special Economic Zones (SEZs) in fostering trade activities.

Investment (INR Crore): The rise in investment from INR 4,035.51 Crore in 2005-06 to INR 6,17,499 Crore in 2020-21 suggests increased confidence from both domestic and foreign sources. This influx of investment indicates that SEZs have been successful in attracting capital, contributing to economic development.

Employment (Persons): Employment generation has experienced a substantial surge from 1,34,704 persons in 2005-06 to 23,58,136 persons in 2020-21. This remarkable increase underscores the role of SEZs in fostering job opportunities, indicating positive socio-economic impact.

**Table No. 2: Export Values (In Crores) For Different Special Economic Zones (Sezs) Across Various Sectors.**

SEZ	Export Value (Cr.)
Trading & Services	10,682
Services	5,09,195
Manufacturing	2,35,691
Kandia Special Economic Zone	1,32,297
Noida Special Economic Zone	70,918
SEEPZ SEZ Mumbai	1,39,362
Trading and Services	10,682
Vishakhapatnam Special Economic Zone	1,13,071
Mepz Special Economic Zone	1,16,765
Cochin Special Economic Zone	151,429

ANOVA (Analysis of Variance)

**Null Hypothesis ( $H_0$ ):** The mean export values for all SEZ categories are equal.

**Alternative Hypothesis ( $H_1$ ):** At least one SEZ category has a different mean export value.

**ANOVA p-value: 0.0001166508610420198**

The ANOVA test results indicate a p-value of 0.0001166508610420198. With a significance level (alpha) typically set at 0.05, the p-value is less than alpha. Therefore, we reject the null hypothesis. This suggests that there are significant differences in mean export values among the different SEZs.

**Table No. 3: Sez Employment Trends and Linear Regression Analysis (2015-2021)**

Year	Direct employment through SEZs in India
2015-16	35,00,000
2016-17	25,60,286
2017-18	25,00,000
2018-19	22,38,305
2019-20	20,61,055
2020-21	19,77,216

The equation of the regression line obtained from linear regression is in the form:

$$Y = mx + b \quad (1)$$

Where:

Y is the dependent variable (Direct Employment),

X is the independent variable (Year),

M is the slope of the line (Change in employment per year),

b is the y-intercept

m and b represent the intercept variable

The equation can be written as:

$$\text{Direct Employment} = \text{Slope} \times \text{Year} + \text{Intercept} \quad (2)$$

Values obtained from the linear regression analysis; we substituted the values for m and b into the equation to get the specific equation for dataset.

Direct employment =  $-376607.83 * \text{year} + 759540376.67$

Predicted Direct Employment in 2021: 1550811.

This output indicates that the equation of the regression line is direct employment =  $-376607.83 * \text{year} + 759540376.67$ . According to this model, the predicted direct employment for the year 2021 is approximately 1,550,811.

The predicted value for 2021 assumes that the relationship between the year and direct employment continues to be linear.

### **Suggestion:**

Industrialization progress cannot be made without agricultural development. These two cannot be separated from each other. They are closely related to each other; neither side can progress without the other. Therefore, both the sectors have been given appropriate place in the system of economic planning." Similar views have also been expressed in the annual report of the Food and Agriculture Organization of 1968. According to the report, "In comparison to the last decade of general economic development, the importance of agriculture has now increased. is well understood. It has become clear from past experiences that there is a two-way complex relationship in the field of agricultural economy and parallel progress in the agricultural sector is an essential truth for successful industrialization.

If the underdeveloped areas of the country are to be developed then the Central and State Governments will have to make a different system. Although various ministries and departments have come into existence for this, but they have not yet been created in effective structures. Which can properly administer government schemes in backward areas. It is strange that the Prime Minister or the Chief Minister fulfils his duties by visiting such areas occasionally. Such visits are rarely fruitful. Sometimes the Central and State Governments start making allegations and counter-allegations for neglecting the backward areas, but nothing happens that can change the situation in the concerned area. Today, every politician is showing the dream to the countrymen that a developed India will soon be built, but if underdeveloped areas are not given attention, then it is certain that the vision of a developed country will remain incomplete.

Considering the seriousness of all the above facts and considering them, it is clear that policies are necessary in the country to increase exports in the country and to define its role at the international level and to create an important identity for itself and special economic zones. Whatever incentives and facilities are being provided to the industry and service sector of our country by the policy, this effort is helpful in giving impetus to the efforts being made for export promotion and overall development of the country. But since this policy is so comprehensive and effective, the time to implement this policy on such a large scale does not seem appropriate, hence it should be reconsidered.

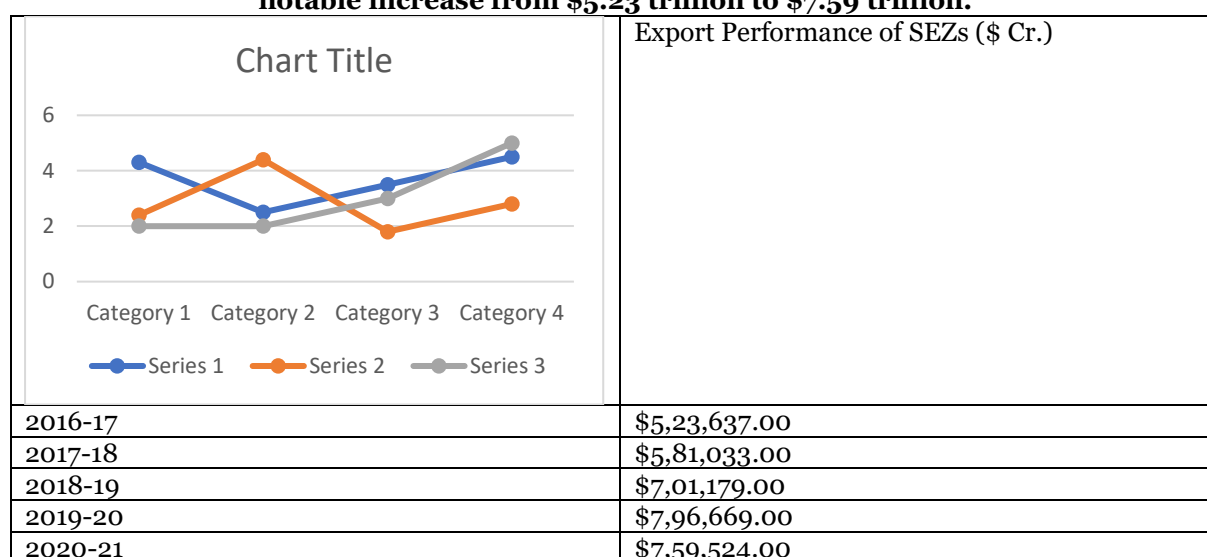
There is a need to do more change. For this purpose, some personal suggestions are presented based on the results of complete research, lectures and study. Influenced by China, where India has adopted this policy, till now only 7 Special Economic Zones have been established and in India, after giving recognition to the export promotion zones before this policy as "Special Economic Zones", about 19 Special Economic Zones are functioning. It is an economic zone. Therefore, under the influence of which this work is being done and we have adopted this policy, we have already established more Special Economic Zones than them, hence the matter of 500 number of proposals for establishment in such a short period of time is completely understandable. Therefore, the number of proposals should be reduced and no policy should be implemented on such a large scale in such a short time.

The exemptions and concessions given for export should not be limited only to the units established under the Special Economic Zone, but the same kind of exemptions, concessions and incentives should be provided to those units, in the same way, the units operating in other parts of the country which are engaged in export. Those who are working or are going to work should also be provided the same.

Special attention should be paid to the proposals for establishing 'Special Economic Zones' on the basis of all the states of India. These should not be limited to just a few states and their number should be continuously increased, but a plan should be made for their establishment in every state so that the entire India Industrial activities should be given impetus and not limited to a few states of India and should not give rise to a situation of imbalance and neglect.

Keeping in mind the item related to land acquisition, the subject of most difference of opinion and controversy is being seen as the compensation to be given in relation to that land. The amount of compensation for land acquisition should be decided and given as per government standards, keeping in mind the productivity, utility and condition of the land. After determining the amount of compensation, what should be the form of providing it?

The biggest benefit is that the facilities and incentives being provided to India's industry and service sector will not only benefit the country, but by putting this idea of providing incentives and facilities to agriculture into action, the pace of development can be greatly accelerated. And this development will start happening in a balanced form. Which will be a sign of favourability for a country like India. Because considering the condition of India, neglecting agriculture and depriving it of facilities and incentive policies will not be in Favor of this country at all. This will be a major blow to the happiness, peace and progress of the country and will become a factor in increasing the imbalance.

**Table No. 4: Analysing the trend in SEZ exports from 2016-17 to 2020-21, emphasizing the notable increase from \$5.23 trillion to \$7.59 trillion.**

### Conclusion:

In conclusion, the presented research analysis provides a comprehensive overview of the impact of Special Economic Zones (SEZs) on India's economic landscape. The comparison of key indicators such as exports, investment, and employment over the years demonstrates a remarkable trajectory of growth, reflecting the success of export promotion policies and the significant role played by SEZs in fostering economic development.

The substantial increase in exports from INR 22,840 Crore in 2005-06 to INR 7,59,524 Crore in 2020-21 underscores the effectiveness of SEZs in promoting trade activities. Similarly, the rise in investment from INR 4,035.51 Crore to INR 6,17,499 Crore suggests increased confidence from both domestic and foreign sources, indicating the success of SEZs in attracting capital. The employment trends within SEZs, as analyzed through linear regression, reveal a consistent decrease in direct employment from 35,00,000 in 2015-16 to 19,77,216 in 2020-21. While the regression model predicts a direct employment of approximately 1,550,811 in 2021, it is essential to note the declining trend, urging further exploration into the factors influencing this decrease.

Table No. 3 provides a detailed breakdown of export values for different SEZs across various sectors, emphasizing the diversity in contributions. The ANOVA test results indicate significant differences in mean export values among the different SEZs, suggesting the need for tailored strategies and policies for each category. The research offers insightful suggestions for refining export promotion policies and SEZ implementation. Recommendations include a reconsideration of the scale and pace of policy implementation, a reduction in the number of SEZ proposals, extending export-related benefits to units outside SEZs, and ensuring a balanced geographical distribution of SEZs. Moreover, the study emphasizes the integral relationship between industrialization and agricultural development, advocating for a holistic approach to economic planning. The need for effective systems at the central and state government levels to administer schemes in underdeveloped areas is underscored, along with the importance of widespread establishment of SEZs to avoid regional imbalance. Addressing the controversial issue of land acquisition, the study suggests determining compensation based on government standards, considering the productivity and utility of the land. Additionally, the research highlights the potential benefits of extending incentives and facilities to the agriculture sector, promoting balanced development.

Table No. 4 analyses the trend in SEZ exports from 2016-17 to 2020-21, emphasizing the notable increase from \$5.23 trillion to \$7.59 trillion. This trend showcases the continuous growth and economic impact of SEZs on India's global trade performance.

In summary, the research provides valuable insights into the multifaceted effects of SEZs on India's economic development, offering recommendations for policymakers and stakeholders to further enhance the positive outcomes and address emerging challenges in the context of export promotion and industrialization.

### References:

- [1] Alkon, M. (2018). Do Special Economic Zones Induce Developmental Spillovers? Evidence from India's States. *World Development*, 107, 396-409.
- [2] Brussevich, M., & Tan, S. (2020). Learning from Foreign Firms: Does FDI Increase Exporter Competitiveness? Unpublished Manuscript.

- [3] Busso, M., Gregory, J., & Kline, P. (2013). Assessing the Incidence and Efficiency of a Prominent Place-Based Policy. *American Economic Review*, 103(2), 897-947.
- [4] Duranton, G. (2011). California Dreaming: The Feeble Case for Cluster Policies. *Review of Economic Analysis*, 3, 3-45.
- [5] Ghazanchyan, M., Klemm, A., & Zhou, Y. S. (2018). Tax Incentives in Cambodia. IMF Working Paper WP/18/71, Washington DC, USA.
- [6] Glaeser, E., & Gottlieb, J. (2008). The Economics of Place-Making Policies. *Brookings Pap. Econ. Act.*, 1, 155-239.
- [7] Grant, M. (2020). Why Special Economic Zones? Using Trade Policy to Discriminate across Importers. *American Economic Review*, 110(5), 1540-1571.
- [8] IMF, OECD, UN, & World Bank. (2015). Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment. Report to the G20 Development Working Group, IMF Policy Papers.
- [9] James, S. (2014). Tax and Non-Tax Incentives and Investments: Evidence and Policy Implications. Investment Climate Advisory Services, World Bank Group.
- [10] Lu, Y., Wang, J., & Zhu, L. (2019). Place-Based Policies, Creation, and Agglomeration Economies: Evidence from China's Economic Zone Program. *American Economic Journal: Economic Policy*, 11(3), 325-360.
- [11] Moretti, E. (2010). Local Labor Markets. *Handbook of Labor Economics*, 4B.
- [12] Neumark, D., & Kolko, J. (2010). Do Enterprise Zones Create Jobs? Evidence from California's Enterprise Zone Program. *Journal of Urban Economics*, 68(1), 1-19.
- [13] Neumark, D., & Simpson, H. (2015). Place-Based Policies. *Handbook of Regional and Urban Economics*, 5B, 1197-1287.
- [14] Wang, J. (2013). The Economic Impact of Special Economic Zones: Evidence from Chinese Municipalities. *Journal of Development Economics*, 101, 133-147.
- [15] Warr, P., & Menon, J. (2016). Cambodia's Special Economic Zones. *Journal of Southeast Asian Economies*, 33(3), 273-90.
- [16] World Bank. (2012). Cambodia Enterprise Survey. World Bank, Washington, DC, USA.
- [17] World Bank & the Asian Development Bank. (2014). The Investment Climate Assessment, 2014. Creating Opportunities for Firms in Cambodia. World Bank, Phnom Penh, Cambodia.
- [18] Aggarwal, A. (2006). Special Economic Zones revisiting policy debate. *Economic and Political Weekly (EPW)*, Nov. 4.
- [19] Venu, M.K. (2006). Farmers have a Stake in Growth.
- [20] Wong, Kwan-Yiu, & Chu, K.Y David (1984). Export Processing Zones and Special Economic Zones as Generator of Economic Development: The Asian Experience. *Human Geography*.
- [21] Shivpuri Singh, Aparna (2006). India's Tryst with Special Economic Zones.
- [22] Mukerjee, Asim Kumar (Year). SEZ-and its impact. *The Management Accountant*.
- [23] Abhyankar, Amit (2006). Special Economic Zones (SEZs).
- [24] Aiyar, S.S.A. (2006). SEZs: The Good, Bad and Ugly.