

## Balanced Regional Development of India through Special Economic Zones: An Empirical Study

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**ABSTRACT** India over the past two decades has progressively opened up its economy to face new challenges and opportunities of the 21<sup>st</sup> century effectively. Unlike the first phase of industrialization, visualized by Pundit Jawaharlal Nehru whose aim was mainly state-led investment in the industry and now with the influence of liberalization and globalization all over the world, our strategy is being shifted towards private sector-led development which has both cheap capital and technology at its disposal. Establishment of Special Economic Zones (SEZs) is one among the major changes in the economic policies made by the Government of India, to create hassle-free environment for boosting exports from the country. Consequently, SEZs Act was passed in the year 2005. The Act envisages key role for the state governments mainly on the need to alleviate infrastructure constraints to exports and it is expected that this will trigger a large flow of foreign and domestic investment in SEZs, infrastructure and productive capacity, leading to generation of additional economic activity and creation of employment opportunities. Another important issue is that the Central and State governments alone are not able to provide necessary infrastructure to eliminate regional imbalances and they aim to encourage private initiation to promote industrial development in the industrially lagging states and regions of the country. Further, the SEZs are being perceived as mini –townships rather than being mere industrial clusters because of the social infrastructure like housing, hospitals, hotels, schools and recreation facilities that are available within the SEZ. Owing to clustering of production units of SEZ at one place they have been getting external economies too in the form of good roads, proper drainage system, uninterrupted power supply and water supply on one hand and on the other hand the entire region gets good communication connectivity and physical infrastructure. In this paper an attempt is made to trace out the spread of SEZ establishments in the country, examine whether they are located suitably to overcome the regional imbalances and to suggest some policy initiatives to achieve export promotion and balanced regional industrial development of the country.

### INTRODUCTION

Prior to the introduction of SEZs, a number of export promotion initiatives have existed in our country, of which the major ones are Export Oriented Units (EOU), Electronic Hardware Technology Parks (EHTP), Software Technology Park Units (STP) and Economic Processing Zones (EPZs) (India Mart 2006). In these sites foreign or domestic merchandise can enter without a formal customs entry or the payment of customs duties or government excise taxes. However, the domestic enterprises in India have found it difficult to compete with global market. To overcome this situation, India over the past two decades has progressively opened up its economy to face effectively new challenges and opportunities of the 21<sup>st</sup> century. Considering the need to enhance foreign investment and promote exports from the country and realizing the need that a level playing field must be made available to domestic enterprises and manufacturers to be competitive globally, the government had

announced the introduction of SEZs policy in April, 2000, through a revision in the Export and Import policy (EXIM policy) 1997-2002. The objective of SEZs include making available goods and services free of taxes and duties supported by integrated infrastructure for export production, quick approval mechanisms, and a package of incentives to attract foreign and domestic investments for promoting exports and creating employment opportunities. However with lacunae like lack of Central legislation, rigid labor laws, the SEZs in India were not off to a flying start. In order to avoid these pitfalls and to give a long –term and stable policy framework with minimum regulation, the SEZ Act -2005 was enacted to woo the investors and this has come into force from February, 2006 (Government of India 2006). The new law is aimed at encouraging public- private partnership to develop world- class infrastructure, provide an internationally competitive and hassle –free environment, attract private investment (domestic and foreign), to boost economic growth, exports and employment.

Apart from the primary attraction of tax benefits that are offered to SEZs, the government also proposes to introduce fresh incentives such as single window clearance for customs and excise duty, relaxation from various labor law regulations, allowing companies in the SEZ to conduct board meetings via video conferencing by amending the Companies Act 1956, thus making SEZs the next big investment and growth opportunity for Foreign Direct Investment (FDI) in India. Some feel that India is forced to adopt this strategy because it has failed to cut red tape significantly with a number of approvals needed to start a business taking more than a grueling 80 days in our country, compared to three to four weeks in several other developing countries. Investors are today demanding one-stop approvals and plug-and-play infrastructure.

The new Act provides legal framework, covering all-important legal and regulatory aspects of SEZ development as well as for units operating therein (Government of India 2008). Some of the salient features of the Indian SEZ initiatives are:

Unlike most of the international instances where zones are primarily developed by governments, the Indian SEZ policy provides for development of these zones in the government, private, or joint sector. This offers equal opportunities to both India and international private developers.

The SEZ rules provide for different minimum land requirement for different class of SEZs. Every SEZ is divided into processing area where alone the SEZ units would come up and the non-processing area where the supporting infrastructure is to be created. Hundred per cent FDI is permitted for all investments in SEZs, except for activities under the negative list.

Single window clearance for setting up of SEZs and this facility is also applicable for setting up a unit within a SEZ; full freedom is given for sub-contracting. External commercial borrowing by SEZ units up to US \$ 500 million in a year without any maturity restriction through recognized banking channels; exemption from central sales tax and from service tax. The new Act contains income tax concessions for both SEZ units as well as SEZ developers. SEZ units will be eligible for 100 per cent income tax exemption for 5 years, thereafter 50 per cent for next five years, and 50 per cent of the ploughed back export profits for the next 5 years; SEZ developers

continue to get 100 per cent income tax exemption for 10 years in a block period of 15 years.

### **Special Economic Zones - International Experience**

The word “special” mainly means special economic system and policies. The first Special Zone, which bears any semblance to the present-day ones, was set up in Spain in 1929 with the intention of increasing exports by value addition to the raw materials available in that country. Deng Xiaoping, the inspiring force behind China’s economic miracle during the last 30 years, gave a big boost to the concept of SEZ in 1979. In opening up its vast domestic market to western capital and technology, he used the SEZs as role models to assess the success of his economic liberalization policies. Several other developing countries such as UAE, Malaysia, Jordan, Poland, Kazakhstan, Philippines, Russia, and South Korea are also following the Chinese path to liberalize their economies (Abhyankar 2006). Most countries in South Asia - Nepal, Bangladesh, Sri Lanka and Pakistan have all tried to promote their exports and also create employment by establishing these SEZs. By offering privileged trading terms for manufacturing-based exports, SEZs attract big-ticket investment and spur employment. Economic zones in the East-Asian countries have shown tremendous economic growth.

### **Potential Benefits of SEZs**

SEZs prove economically advantageous to the nation in general and in particular to other northern and central states that are industrially lagging behind. “The northern and central states of India are lagging behind the coastal states in terms of industrialization as well as investment (including domestic and FDI) and resulting in low growth in state domestic product, SEZs may play the role of catalyst to reverse this trend of economic sluggishness in these states” (Singh 2005).

SEZs turn boon to skilled workers. With the growth of industrial activity, the skilled workers will get more opportunities to pick jobs that suit their professional aspirations and also generate employment opportunities to the tune of several million jobs to workforce in the hinterland. These clusters generate external economies also in the

form of good roads, power, water etc., which no manufacturing unit by itself would be inclined to provide. SEZs act as modern demo centers—due to interface with the global markets. The SEZs attract latest technology and business know-how. This inward flow of knowledge ultimately percolates to the locals of the hinterland, and as a consequence of this process, their sphere of knowledge widens and capacity strengthens which in turn translates to improve economic and social well being of the regions (Singh 2005).

Owing to the economic activities generated by SEZs in the hinterland, the establishments will get backward linkages with local industrial clusters and forward linkages with the global markets. Another benefit is that, India has significantly large Mathematics background and English – speaking workforce than China. India also has an edge in a number of key knowledge based industries such as software, Information Technology Enabled Services, (ITES) drugs and pharmaceuticals and agro-based industries. Indian zones are more likely to attract investments in high – end human skill based industries and service sectors. India has in fact, the right mix of factors such as availability of abundant young and skilled workforce, intrinsic comparative advantage in several industries, a strong policy frame work, availability of complementing and supporting ancillary industries, an already buoyant export sector and vast local markets.

### Export Performance of SEZs

At present, all the eight EPZs located at Kandla, Surat, Santa Cruz, Cochin, Madras, Noida, Falta and Visakhapatnam, have been converted into SEZs. In addition, seven new SEZs (Manikanchan-West Bengal, Jaipur, Indore, Salt Lake Electronic city- Kolkata, Mahendra city –IT-Hard ware- Electronics- Chennai, Mahendra-Appral and Fashion- Chennai, Jodhapur-Rajasthan) have become operational in 2004-05 (Government of India 2007). By July, 2007 there are 75 operational SEZs in our country in which 1277 units are functioning and the remaining are at various stages of implementation (Business Line 2007).

Exports from SEZs grew by 16.40 per cent from 2000 -01 to 2004-05. In the same period, total exports from India grew by 12 per cent (Confederation of Indian Industry 2006). This clearly signifies the importance of SEZs in India.

Exports from the SEZs during 2005-06 have registered a growth of 25 per cent in rupee terms over the previous year and 52 per cent in 2006-07 over the previous year. The Commerce Ministry has also projected a 94 per cent growth during the financial year 2007-2008 over the previous year (Table 1).

**Table 1: Exports from the functioning SEZs in the country during 2003-2008**

Year	Value (Rs. Crores)	Growth Rate over the previous year (%)
2003-04	13854	39
2004-05	18314	32
2005-06	22840	25
2006-07	34615	52
2007-08 (projected)	67088	94

Source: Government of India 2008, Ministry of Commerce and Industry, Department of Commerce, Source: <http://SEZ.inindia.Nic.in>,

According to the Government of India, Ministry of Commerce, by February, 2008, the employment generated by the seven central government established SEZs is over 1.83 lakh persons, out of which about 40 per cent are women. So far all the private led operational SEZs put together are providing direct employment to 97,478 persons. Since the enactment of SEZ Act, the total investment in the notified SEZs has reached Rs. 67,347 crores.

### Objectives of the Study

1. To study the nature and significance of Special Economic Zones in India.
2. To analyze the inter-state and intra-state approvals of SEZs and land allotted to them.
3. To map out inter- regional and intra-regional approvals of SEZs and land allotted to them.
4. To suggest measures for bringing about balanced regional industrial development of the country through SEZs.

### DATA BASE AND METHODOLOGY OF THE STUDY

The data has been drawn from the Ministry of Commerce and Industry, SEZ Section, Government of India. For the purpose of the study SEZs are classified into four major categories such as IT/ITES, Pharma/Bio-tech, Multi – Product/Services and Other Categories. The

entire statistical comparisons and presentation of the paper is based on the above classification. Further, on the basis of the above classification, inter-state approvals of SEZs and intra-state distribution of SEZs and land allotted to them have been calculated in order to trace the concentration of various categories of SEZs within the states and regions of the country. Again on the basis of the above classification, inter-regional and intra-regional percentage approvals of SEZs and land allotted to them have been calculated. For inter-state comparisons, the focus is mainly on major states in India and for inter-regional comparisons, all the States and Union Territories are taken into consideration. The inter-regional SEZ approvals and land allotted to them by category-wise are also presented through PIE diagrams. Intra – state and intra- regional SEZ approvals and land allotted to them are given in Tables 2 and 3. Owing to space constraint, intra – state and intra - regional analysis are not presented in this paper.

### Limitations of the Study

The promotion and development of SEZs is in the nascent stage in our country. The present employment and the income figures are mainly due to conversion of EPZs into SEZs. The incisive impact of SEZs on the Indian economy requires an intensive and extensive study. At this juncture we cannot make a comprehensive study and it entails a few more years for the SEZs to function. However, an armchair attempt has been made in this study to present the state – wise approvals of SEZs (Formal and In-Principle) and the land allotted to them on the basis of secondary data available. Therefore, one need not be too apprehensive regarding the generalizations and policy implications made in this study. Nevertheless, the policy makers, administrators and academicians should note the policy implications made in this study.

## RESULTS AND DISCUSSION

In this section the summary of statistical findings of the study with reference to state-wise and region-wise approvals (Including Formal and In-Principle) of SEZs and land allotted to them are presented. (Formal approvals are given only when the promoter has already acquired the land to set up the SEZ and In -Principle approval is

given by the Board of Approvals when the promoter has given an assurance that he would acquire the necessary land (a certain extent of land) to set up the SEZ.

### Number of SEZ Approvals State -wise and Inter- Region-wise in India

As on December, 2007, 568 SEZs have been approved both in Formal and In-Principle. Among these 403 SEZs were formally approved by Board of Approvals (Table 2). Among the major states, Maharashtra stands at the top with 123 SEZs (about 23 per cent in the total approved SEZs) followed by Andhra Pradesh with 70 SEZs (about 13 per cent) Tamil Nadu with 67 SEZs (about 13 per cent) Karnataka 54 SEZs (about 10 per cent) and Haryana with 48 SEZs (about 9 per cent). These six states put together constitute about 80 per cent of the total SEZ approvals in the country (Table 3). The above analysis shows that except Haryana, majority of the SEZs are established in the coastal states.

At the regional level, the southern- region dominates with 205 SEZs approvals (about 36 per cent in the total approved SEZs) followed by central and northern –regions with 150 and 98 SEZs respectively (Table 4). The above three regions put together accounts for 80 per cent of SEZs in the country (Table 5). In the total number of SEZs, The IT/ITES SEZs are 46 per cent and most of them are in the southern states. Therefore the southern region dominates in the total SEZ establishments.

Among the major categories of SEZ approvals in the country, the IT/ITES SEZs stand at the top with 263 SEZs which is about 46 per cent in the total SEZ approvals (Tables 2, 4). Across the states, Maharashtra stands first with 44 IT/ITES SEZs, followed by Andhra Pradesh, Tamil Nadu and Karnataka with 43, 37, and 29 respectively. In percentage terms the above four states put together constitute about 63 per cent of the total IT/ITES SEZ approvals in the country (see Table-3). As far as inter-regional approval of IT/ ITES SEZs are concerned, the southern region occupies first place with 121 IT/ITES SEZs (about 46 per cent in the total IT/ITES SEZs) followed by central region with 59 SEZs. The above two regions put together constitute about 68 per cent of IT/ITES SEZs (Table 5). The foregoing analysis shows that there is a geographical digital divide in the establishment of SEZs in the country.

**Table 2: State –Wise approval (Formal ‘F’, and In– Principle, ‘I-P’) of SEZs and land allotted to them Category – Wise, in India, up to December, 2007.**

S. No.	State	Category of SEZs	No. of SEZs Land			Allotted to SEZs (Hectares)		
			F	I-P	Total	F	I-P	Total
1	2	3	4	5	6	7	8	9
1	Maharashtra	IT/ITES	44	1	45	1427	10	1437
		Pharma/Bio-Tech.	14	2	16	906	150	1056
		Multi product	7	21	28	5537	33824	39361
		Others	19	15	34	3434	1934	5368
		Total	84	39	123	11304	35923	47227
2	Andhra Pradesh	IT/ITES	43	-	43	1335	-	1335
		Pharma/Bio-Tech.	6	2	8	605	215	820
		Multi product	4	2	6	4364	2050	6414
		Others	12	1	13	1748	100	1848
		Total	65	5	70	8052	2365	10417
3	Tamil Nadu	IT/ITES	37	1	38	1228	10	1238
		Pharma/Bio-Tech.	-	1	1	-	365	365
		Multi product	3	5	8	2313	5137	7450
		Others	15	5	20	1471	600	2071
		Total	55	12	67	5012	6112	11124
4	Karnataka	IT/ITES	29	3	32	767	579	1346
		Pharma/Bio-Tech.	3	1	4	354	16	370
		Multi product	-	2	2	-	6012	6012
		Others	7	9	16	1526	1576	3102
		Total	39	15	54	2647	8177	10824
5	Haryana	IT/ITES	24	3	27	503	234	737
		Pharma/Bio-Tech	2	-	2	59	-	59
		Multi product	3	9	12	717	25446	26163
		Others	3	6	10	317	776	1093
		Total	32	18	51	1596	26456	28052
6	Gujarat	IT/ITES	10	-	10	423	-	423
		Pharma/Bio-Tech.	3	2	5	264	299	563
		Multi product	9	2	11	14614	2311	16925
		Others	14	8	22	1966	1923	3889
		Total	36	12	48	17267	4533	21800
7	West Bengal	IT/ITES	13	2	15	326	240	566
		Pharma/Bio-Tech	1	1	2	10	24	34
		Multi product	-	3	3	-	7080	7080
		Others	2	10	12	56	5076	5076
		Total	16	16	32	392	12420	12812
8	Uttar Pradesh	IT/ITES	9	1	10	161	132	293
		Pharma/Bio-Tech.	-	1	1	-	100	100
		Multi product	-	2	2	322	5310	5310
		Others	4	5	9	-	484	806
		Total	13	9	22	4483	6026	6509
9	Madhya Pradesh	IT/ITES	10	1	11	331	20	351
		Pharma/Bio-Tech	-	-	-	-	-	-
		Multi product	-	5	5	-	9264	-
		Others	-	1	1	-	2025	9264
		Total	10	7	17	331	11305	2025
10	Orissa	IT/ITES	4	1	5	221	10	231
		Pharma/Bio-Tech	-	-	-	-	-	-
		Multi product	1	2	3	1173	2695	3868
		Others	4	3	7	906	1184	2090
		Total	9	6	15	2300	3899	6199
11	Rajasthan	IT/ITES	4	-	4	99	-	99
		Pharma/Bio-Tech	-	-	-	-	-	-
		Multi product	-	8	8	-	15442	15442
		Others	1	2	3	131	147	278
		Total	5	10	15	230	15589	15819

**Table 2: Contd....**

S. No.	State	Category of SEZs	No. of SEZs Land			Allotted to SEZs (Hectares)		
			F	I-P	Total	F	I-P	Total
1	2	3	4	5	6	7	8	9
12	Kerala	IT/ITES	6	2	8	127	414	541
		Pharma/Bio-Tech.	1	-	1	12	-	12
		Multi product	-	-	-	-	-	-
		Others	4	-	4	424	-	424
		Total	11	2	13	563	414	977
13	Punjab	IT/ITES	3	1	4	42	20	62
		Pharma/Bio-Tech.	1	-	1	32	-	32
		Multi product	-	1	1	-	1011	1011
		Others	2	5	7	200	540	740
		Total	6	7	13	274	1571	1845
Major Indian States		IT/ITES	236	13	249	6990	1435	8425
		Pharma/Bio-Tech.	31	10	41	2242	1169	3411
		Multi product	27	56	83	28718	95166	123884
		Others	87	65	152	12501	15709	28210
		Total	381	144	525	50451	113479	163930
Total (Including All States and Union Territories in India)		IT/ITES	246	17	263	7177	1683	8860
		Pharma/Bio-Tech.	34	10	44	2434	1169	3603
		Multi product	30	66	96	29904	122612	152516
		Others	93	72	165	12793	16514	29307
		Total	403	165	568	52308	141978	196656

Source: This table is compiled using the data available from the Ministry of Commerce and Industry, SEZ section, Government of India, January, 2008

**Table 3: State-wise approvals of SEZs and land allotted to them - Category-wise, in India, up to December 2007**

S. No.	State	Percentage share IT/ITES to their respective totals		Percentage share of Pharm/ Bio-tech to their respective totals		Percentage share of Multi products to their respective totals		Percentage share of other categories SEZs to their respective totals		Percentage share of All categories SEZs in their respective totals	
		SEZs	Land	SEZs	Land	SEZs	Land	SEZs	Land	SEZs	Land
1	2	3	4	5	6	7	8	9	10	11	12
1	Andhra Pradesh	17.27	15.85	19.51	24.04	7.23	5.20	8.55	6.55	13.33	6.35
2	Karnataka	12.85	15.98	9.76	10.85	2.41	4.85	10.53	11.00	10.29	6.60
3	Kerala	3.21	6.42	2.44	0.35	-	-	2.63	1.50	2.48	0.60
4	Tamil Nadu	15.26	14.58	2.27	10.71	9.64	6.01	13.16	7.34	12.76	6.79
5	Madhya Pradesh	4.42	4.17	-	-	6.02	7.48	0.66	7.18	3.24	7.10
6	Maharashtra	18.07	17.06	39.02	30.96	33.73	31.77	22.37	19.03	23.43	28.81
7	Gujarat	4.02	5.02	12.20	16.50	13.25	13.66	14.47	13.79	9.14	13.30
8	Rajasthan	1.61	1.18	-	-	9.64	12.46	1.97	0.99	2.85	9.65
9	Orissa	2.00	2.74	-	-	3.61	3.12	4.61	7.41	2.86	3.78
10	West Bengal	6.02	6.72	4.48	1.00	3.61	5.72	7.89	18.00	6.10	7.82
11	Haryana	10.84	8.74	4.88	1.73	14.45	21.12	6.58	3.87	9.71	17.11
12	Punjab	1.61	0.74	2.44	0.94	1.20	0.82	4.61	2.62	2.48	1.13
13	Uttar Pradesh	4.02	3.48	2.44	2.93	2.41	4.28	5.92	2.86	4.19	3.97
	percentage	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	Totals (Major States)	249	8425	41	3411	83	123884	152	28210	525	163930

Source: Same as in case of Table 2

Of the 44 Pharma/ Bio-tech SEZs approvals (about 8 per cent in the total approved SEZs in the country), many of them are concentrated in

Maharashtra and Andhra Pradesh and these two states put together constitute about 60 per cent of SEZs in this category (Tables 3, 4). At the

regional level, the central region stands first with 19 Pharma/ Bio-tech SEZs followed by southern region with 14 SEZs. The above two regions put together constitute about 75 per cent of the Pharma/ Bio-tech SEZs in the country (Table 5). The Pharma/ Bio-tech SEZs are concentrated in the central and southern regions because the Pharma / Bio- tech industry is concentrated in these regions even prior to the establishment of SEZs and many of the firms in this industry converted themselves into SEZs after the SEZ Act 2005 came into existence, to avail the benefits given to SEZs by the government.

Coming to the 96 Multi-product/ Services

SEZs (about 17 per cent in the total approved SEZs), again Maharashtra stands at the top with 28 SEZs followed by Haryana and Gujarat with 12 and 11 SEZs respectively (Table 2). The above three states put together constitute about 53 per cent of SEZs in this category. At the regional level, the central region occupies the first place with 34 SEZs (about 36 per cent, Tables 4, 5).

The Other Categories of SEZs constitute exclusive SEZs like Apparel Parks, Gems & Jewelry and Foot Wear. In the case of 165 Other Categories of SEZs (about 29 per cent in the total approved SEZs), Maharashtra stands at the top with 34 SEZs followed by Gujarat and Karnataka

**Table 4: Inter-regional and intra-regional approvals of SEZs and land allotted to them in India, category wise, up to December, 2007.**

S. No.	Region	SEZ categories	No. of SEZ Approvals	Land Allotted (Approx.)	(Hec. Category wise percentage share of SEZs and land allotments to their respective regional totals)	
					SEZs	Land
1	2	3	4	5	6	7
1	Southern (Andhra Pradesh, Tamil Nadu, Karnataka, Kerala and Pondicherry)	IT/ITES	121	4460	59.02	13.24
		Pharma/Bio-Tech.	14	1567	6.83	4.65
		Multi product	17	20222	8.29	60.01
		Others	53	7445	25.86	22.1
		Total	205	33688	100	100
2	Central ( Maharashtra, Madya Pradesh, Chattisgarh and Goa)	IT/ITES	59	1858	39.33	3.03
		Pharma/Bio-Tech.	19	1248	12.67	2.04
		Multi product	34	50625	22.67	82.63
		Others	38	7537	25.33	12.3
		Total	150	61269	100	100
3	Western (Gujarat, Rajastan and Dadar and nagar Havali)	IT/ITES	15	536	22.72	1.42
		Pharma/Bio-Tech.	5	563	7.58	1.49
		Multi product	19	32367	28.79	85.8
		Others	27	4258	40.91	11.29
		Total	66	37724	100	100
4	Eastern (Orissa, West Bangal, Jharkand and Nnagaland)	IT/ITES	20	797	48.99	4.09
		Pharma/Bio-Tech.	2	34	4.08	1.74
		Multi product	7	11348	18.37	58.2
		Others	21	7252	28.57	37.2
		Total	50	19497	100	100
5	Northern (Uttar Pradesh, Uttaranchal, Punjab, Haryana, Delhi and Him. Pradesh)	IT/ITES	48	1209	48.99	2.87
		Pharma/Bio-Tech.	4	191	4.08	4.54
		Multi product	18	37514	18.37	89.08
		Others	28	3199	28.57	7.69
		Total	98	42113	100	100
All India		IT/ITES	263	8860	46.3	4.51
		Pharma/Bio-Tech.	44	3603	7.75	1.86
		Multi product	96	152516	16.9	78.34
		Others	165	29307	29.05	15.28
		Total	568	196656	100	100

Source: Same as in case of Table 2

**Table 5: Region-wise percentage share of SEZ approvals and land allocated to them in their respective totals, in India, up to December, 2007 (Both Formal and In – Principle)**

S. No	State	Percentage share IT/ ITES to their respective totals		Percentage share of Pharm/ Bio-tech to their respective totals		Percentage share of Multi products to their respective totals		Percentage share of other Categories SEZs to their respective totals		Percentage share of All categories SEZs in their respective totals	
		SEZs	Land	SEZs	Land	SEZs	Land	SEZs	Land	SEZs	Land
1	2	3	4	5	6	7	8	9	10	11	12
1	Southern	46.01	50.34	31.82	43.49	17.89	13.26	31.75	25.08	36.09	17.34
2	Central	22.43	20.97	43.19	34.64	35.70	33.19	22.75	25.39	26.41	31.54
3	Western	5.70	6.05	11.37	15.63	20.00	21.22	16.16	14.35	11.62	19.42
4	Eastern	7.60	9.00	4.55	9.44	7.37	7.46	12.57	24.43	8.80	10.02
5	Northern	18.25	13.65	9.09	5.30	18.94	24.67	16.77	10.78	17.25	21.68
	Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	Percentage All India Totals (Including all States and Union Territories)	263	8860	44	3604	96	152516	165	29307	568	196656

Source: Same as in case of Table 2

with 22 and 16 SEZs respectively (Tables 2, 4). The above three states put together constitute about 44 per cent of this category of SEZs (Table 3). Among the regions, the southern-region occupies first place with 53 SEZs (about 32 per cent, Tables 4, 5) followed by the central- region with 38 SEZs (23 per cent). The other categories of SEZs are concentrated in Maharashtra, Gujarat, and Karnataka because of the availability of product specific raw materials and manpower.

The analysis of the above statistical findings relating to SEZ approvals suggest that Maharashtra state not only stands at the top in the number of SEZ approvals but also in all the Major Categories of SEZs in the country. At the regional level the southern- region not only has the highest number of SEZ approvals but also in the number of IT/ ITES SEZs and Other Categories of SEZs. Another striking feature is that two-thirds of total SEZ approvals are in the southern and central regions only. As far as Pharma/ Bio-tech SEZs are concerned, more than two-thirds are in central and southern- regions. In case of Multi- product/ Services SEZs approvals, about one-third of them are in central –region itself. The regional approval of SEZs has been shown in Figure 1(a).

#### Inter- State and Inter -Regional Land Allotment to SEZs

By December, 2007 about 1.96 lakh hectares (both Formal and In-principle approvals) of land

has been allotted for all types of SEZs in India. Out of this, hardly about eight thousand hectares (4.51 per cent) has been allotted to IT/ ITES SEZs; about 36 thousand hectares (about two per cent) to Pharma/Bio-tech SEZs; a major portion of land i.e., about 1.53 lakh hectares (about 78 per cent) has been allotted to Multi- Product/ Services SEZs; and about 29 thousand hectares (about 15 per cent) has been allotted to Other Categories of SEZs (Table 4). More land is allotted to Multi-product/ Services and Other Categories SEZs because they are of manufacturing type which require more land for Plant and Machinery, Effluent Treatment Plants and Green Belt.

Among the states, Maharashtra has allotted a discernible proportion of land i.e., about 47 thousand hectares which accounts for about 29 per cent of the total land allocation in the country, (Tables 2, 3) followed by Haryana and Gujarat with an allocation of about 28 and 22 thousand hectares respectively. The above three states put together allotted about 50 per cent of the total land allocation in the country. Most of the Multi-product and Other Categories SEZs are in the above states and therefore more land is allotted.

Region –wise land allotment indicates that the northern and the central- regions put together have allotted about 53 per cent of total land allocated to SEZs in the country (Table 5). Of the total land allotted to IT/ITES SEZs in the country a major proportion of land has been allotted by the three states namely Maharashtra, Andhra Pradesh and



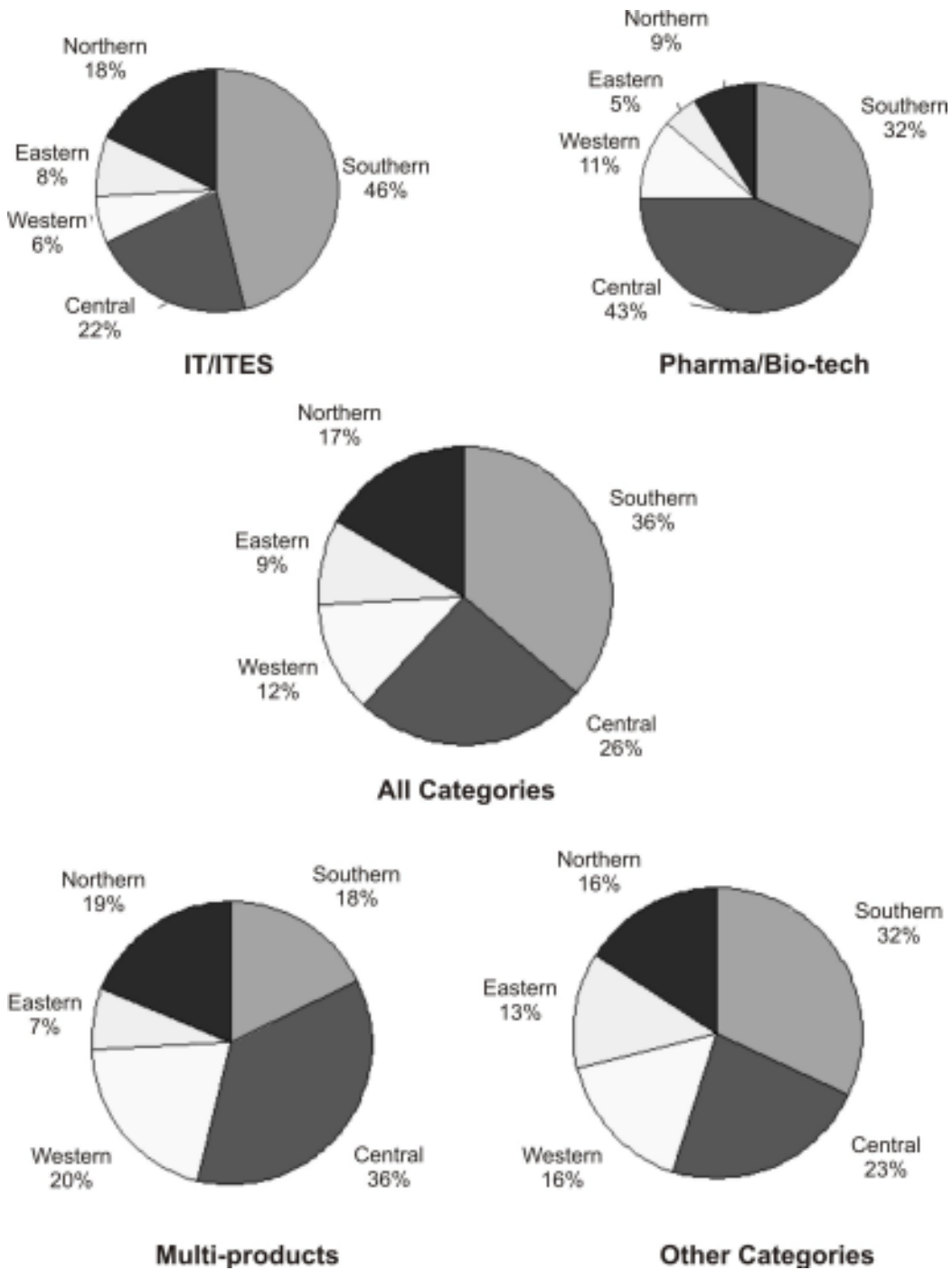


Fig. 1a. Inter-regional percentage share of SEZ approvals in India, up to December 2007

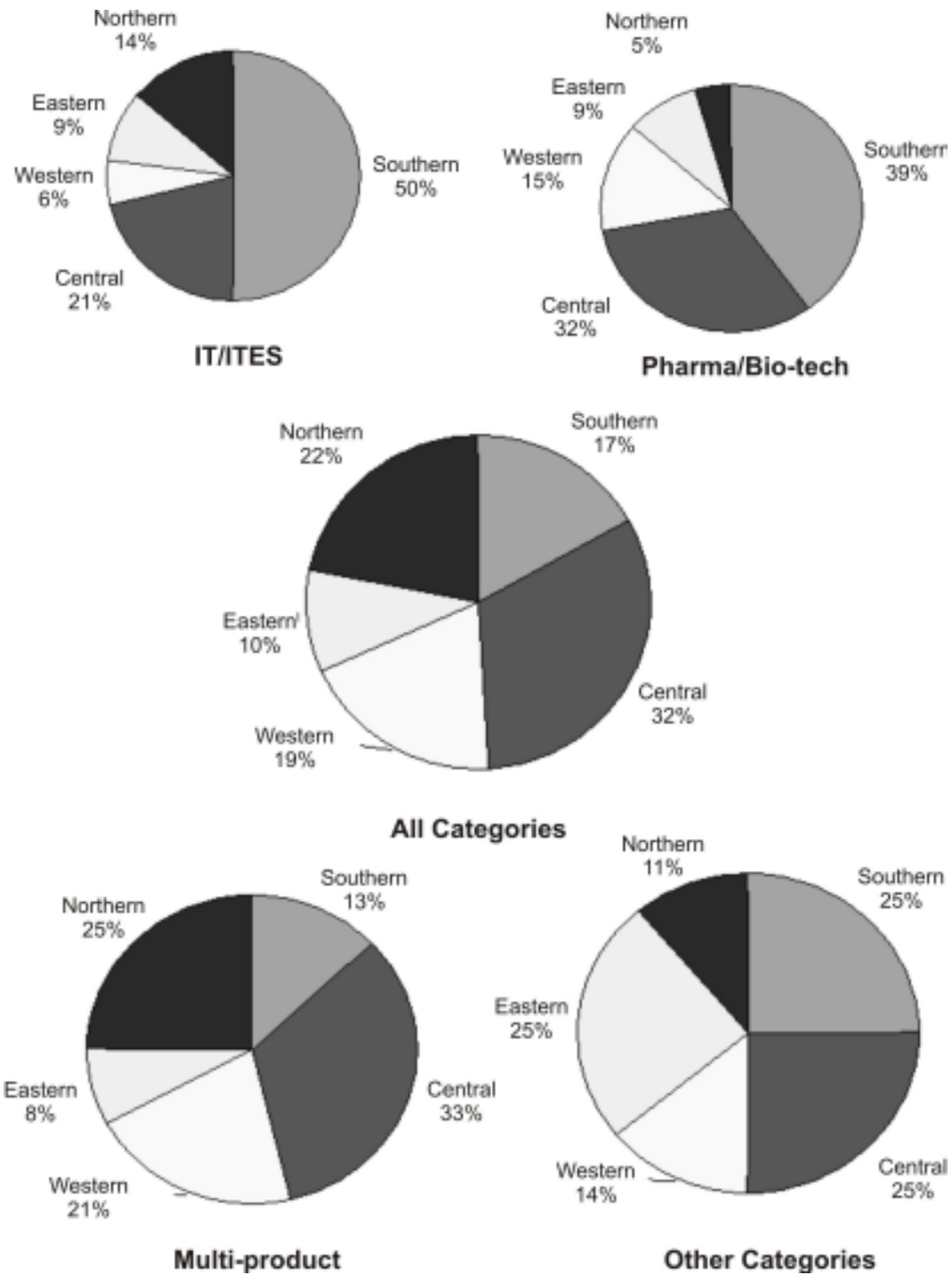


Fig. 1b. Inter-regional percentage share of Land approvals to SEZs in India up to December 2007.

Tamil Nadu (about 50 per cent, Table 3). Among the regions, southern- region has allotted half of the total land for this category (Table 5). More land is allotted to IT/ITES SEZs by the above states because majority of IT/ITES SEZs are in the above states which are in the southern region.

In case of total land allocated to Pharma/ Bio-tech SEZs, Maharashtra, Andhra Pradesh and Gujarat put together have allotted about 70 per cent of land for this category (Table 3). Region – wise data reveals that the southern and central-region put together have allocated about 78 per cent of the total land for this category (Table 5). Since Pharma/ Bio-tech SEZs are concentrated in the above states, more land allotted to them by the above states. Out of 1,52,516 hectares of land allocated to Multi-product/Services SEZs , the three major states namely Maharashtra, Haryana and Gujarat put together have allocated about 66 per cent of land for this category (Table 3).

At the regional level the central and the northern- region put together have allocated about 58 per cent of the total land allocated for this category (Table 5).

As far as land allocated to Other Categories of SEZs is concerned, the three major states namely Maharashtra, West Bengal and Gujarat put together have allocated about more than 50 per cent of the total land allocated for this category and at the regional level, southern and central – regions put together have allocated about 50 per cent of land (Tables 3, 5). So far the major states namely Bihar and Assam did not initiate the process of establishing SEZs. As a consequence the eastern-region has not shown significant mark in the SEZs establishment.

The above statistical findings suggest that a discernible portion of land is allocated to Multi-product/ Services SEZs and a meager share of land is allocated to IT/ITES and Pharma/ Bio-tech SEZs in the country. It is to be noted that Maharashtra state not only stands at the top in the land allocation to SEZs but also in land allocation to all Other Categories of SEZs. At the regional level, the central region alone allotted about one-third of the total land allotted to SEZs in the country. The regional distribution of land to SEZs has been shown in the Figure 1b. Surprisingly, the resource rich states like Bihar and Assam have not taken initiative for establishment of SEZs.

## CONCLUSIONS

The per capita industrial income is low in non-coastal states than in the coastal states in our country. To encourage industrial activity in the non-coastal states and to develop the non-coastal states on par with coastal states, the best alternative is to establish SEZs in those states. But the state –wise SEZ approvals suggest that about 80 per cent of them are in coastal states. Barring Haryana, the major non –coastal states like Uttar Pradesh, Rajasthan and Punjab have given meager SEZ approvals and other major states like Bihar and Assam have not given any approvals till date.

By December, 2007 the total land allotted to SEZs (both Formal and In-principal) is around 0.070 per cent in the total land area and about 0.128 per cent in the total agricultural area in the country (Government of India 2007). Though the above shares are fractionally minute, but in absolute terms, the total land allotment is quite significant and is about two lakh hectares.

The majority of the IT/ITES SEZs are confining to the vicinity of major urban areas since they are capable of overcoming the land limitation by resorting to vertical expansion, whereas it is true that the Multi Product/Services and Other Categories of SEZs by virtue of horizontal expansion require large extent of land (about 94 per cent of total land allotted to SEZs, (Table 4). Unlike IT/ITES, they need more land to create housing, education, medical and recreation facilities. In addition, they require land to develop Green Belt and Effluent Treatment Plants (ETP) as mandatory in the Environmental Protection Acts. But the developers should not be allowed to grab more land out of greed without proper justification, since grain area is shrinking drastically.

Another important thing is that as per the 2001 census, more than 65 per cent of urban growth (during 1991 to 2001) is confined to major cities (Census of India 2001). As a result, these cities are bound to experience boom in real estate activity. Perceiving this and also in the name of upcoming SEZs in the vicinity of major urban areas, the local urban development authorities and private realtors are taking up real estate activity out of proportions (several times more than the actual demand for housing) and doing good business. Consequently, most of the fertile agricultural land is seen as vacant layouts. Out of speculation, these realtors are creating artificial

boom in the other cities also where there is no real need for housing sites.

Now the central government is going to spend Rs.50, 000-crore in the name of Jawaharlal Nehru National Urban Renewal Mission (NRUM) for 63 major cities. Slum rehabilitation is the major program of this scheme. Naturally it requires lot of land for housing as well as for other developmental activities.

Owing to the above developments, large part of agricultural land will be converted for non-agricultural purposes. At present, we are importing cereals, pulses and edible oil seeds to meet the basic needs of our people. Extravagant conversion of agricultural lands for non-agricultural purposes may worsen the situation and may lead to drastic drain in foreign exchange reserves for importing food grains.

### RECOMMEDATIONS

As on December, 2007, there were no SEZ establishments in a number of states, particularly Bihar and Assam and big states like Uttar Pradesh have very less number of SEZs. For an equitable distribution of SEZs and to harness local resources, the State and Central governments may take initiative to establish SEZs in the uncovered states and Union Territories. This will improve the infrastructure and connectivity of the entire country and bring about balanced regional development..

About 63 per cent of IT/ ITES SEZs are established in southern states and Maharashtra (Table 3). In order to reduce the geographical digital divide, IT/ ITES SEZs should be established in the uncovered states. Similarly, 60 per cent of IT/ITES SEZs are concentrated in a few capital cities like Bangalore, Chennai, Hyderabad and Mumbai which is creating traffic congestion and infrastructural short comings. To avoid these problems, IT/ ITES SEZs may be established in tier- two and tier –three cities.

The Central and State governments and the Union Territories may follow a holistic approach rather than an isolated one while allotting land to SEZs. A pragmatic and scientific approach is necessary for which the governments should take the advice of peers of different categories such as technocrats, planners, environmentalists, the NGOs, the stake holders of the project and administrators.

Instead of directly allotting land to the private

SEZ developers, the governments may develop SEZs and allot land to units taking into consideration their actual requirement. By following this process it is possible to curb the extraneous tendencies of private SEZ developers. This is in vogue in other developing countries like China.

The governments must lay down detailed guidelines for developers of SEZs to develop social infrastructure such as schools, hospitals, shopping areas, recreational and sports facilities, air ports, banks etc. in the areas earmarked for SEZs.

The developers of SEZs should be made solely responsible for rehabilitation of Project – Affected Persons (PAPs). The developer should make adequate provisions for rehabilitation of displaced persons as per the relief and rehabilitation policy of the respective state governments.

The governments should ban multi- cropland for SEZs and allot only non-agricultural lands for SEZs in order to avoid food grain shortage. The benefits as well as loss in terms of opportunity costs to the primary sector and the overall impact they will have on the economy must be calculated. Otherwise, whatever gains we get from the export promotion may not be sufficient to meet the import bill of food grains.

In case of employment also, whatever additional employment (skilled manpower) we get due to SEZ establishments may not compensate the loss of employment at the primary sector level. Hence, utmost caution should be exercised while allotting land to SEZs, otherwise our primary objective of setting up these SEZs will be jeopardized.

In order to redress the distress in the primary sector, Special Agricultural Zones (SAZs) or Agri Export Zones (AEZs) on the lines of Special Economic Zones should be established both in irrigated and rain-fed areas to support the farm families for increasing agricultural production and agricultural exports so that the country could usher in evergreen revolution. Through SAZs the governments can provide support to agricultural sector by developing needed infrastructure like storage, transport, processing, and value addition facilities. To generate employment to large number of farmers, the Farmers Cooperative Organizations (FCOs) may be given permission to set up ‘ Kisan SEZs’ to provide state –of the

art infrastructure facilities to a range of industries with primary focus on food processing and agri-based industries.

If there are widespread protests against the establishment of SEZ in a particular area, the governments may interact with stake holders of the SEZ, including the developers of the SEZ, government agencies, elected representatives, concerned heads of government departments, NGOs and Project Affected Persons (PAPs). After analyzing their submissions and detailed deliberations the governments may de-notify a particular SEZ.

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