

Special Economic Zone Model for Sustainable Development

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Abstract

Special Economic Zone would be schemes to address infrastructure deficiencies, procedures and bureaucratic hassles as well as glut legal protectionist measures raised by monetary, labor policies, trade, fiscal, and taxation and tariff policies for the economic development of the nation. For the development and promotion of special economic zone in India various incentives offered by both central and state government. Working of special economic zones is not free from various obstacles. To resolve those issues researcher proposed a special economic zone model for sustainable development.

Keywords: Special economic zone model for sustainable development; Economic benefits from Indian special economic zones and special economic zones in India; Some issues.

1. Introduction

The aims behind for the starting up of special economic zones are for encouraging exports for earning foreign exchange, making the employment opportunities to both skilled as well unskilled workers, promoting the investments from both India as well as outsides, for the expansion of infrastructure amenities and ultimately economic development of the country. For conquering those aims the Government of India and the respective State Governments are providing number of services like quality infrastructure, an attractive fiscal package, minimum possible regulations, single window scheme for clearance within the zone, encouraging public- private partnership to develop world- class infrastructure, providing an internationally competitive and hassle –free environment. What does the nation essentially expand in return from special economic zones merciful the variety of tax allowances and other encouragements? For discovery the outcome, it is worthy to review the performance of special economic zones in india and find out us to whether the special economic zones have truly added to the nation or not?

1.1. Economic Benefits from Indian Special Economic Zones

According to Aggarwal (2004) Indian Zones boosted gross exports, export per units of employment and foreign exchange incredibly but the growth rate turn down significantly. Package of incentives obtainable to the encouragement and expansion of Export Processing Zones, infrastructure amenities obtainable and efficacy of governance are vital for the effective operation of Export Processing Zones in India (Aggarwal, 2006). According to Manab (2007) Indian Special Economic Zones are building world classes infrastructures, generating employment opportunities to both skilled and unskilled workers, promoting exports, mobilizing investments from India as well as outside and encouragement the connection with the rest of the economy. Ram *et al.* (2007) Special Economic Zone is a mechanism to enhance the industrial growth by generating employment opportunities, mobilized foreign capital, knowledge, modern technology, management skills, world class infrastructure. Special Economic Zones policy in India is determined by the aim of accelerating the economic action by means of obtaining exports, mobilizing investments, generating employment opportunities and expansion of infrastructure amenities (Menon and Soumya, 2009). According to Reddy (2009) Special Economic Zones are promoting exports, create tens of millions of employment and magnetize large-scale FDI. Asit and Arindam (2009) found that Special Economic Zones in India have confirmed to be a valuable device to mobilized foreign investments, generation of employment opportunities and obtaining of exports. Rohit *et al.* (2010) study exposes that the Special Economic Zones States show considerably higher total production, State Domestic Product, agricultural and industrial production when comparing to Non- SEZ States. In India export contribution from Special Economic Zones differ from one Special Economic Zones to another and also there is a sector wise difference (Nidheesh and Palanichamy 2010). Aggarwal (2010) Special Economic Zones is an instrument bringing about economic alteration from a resource-led economy to a skill and technology-led economy; from low value added economic actions to high value added economic actions; from low productive sectors to high productive sectors; and from unorganized sectors to organized, both at the national and regional levels. According to Nidheesh (2013) employment generated from Cochin Special Economic Zone is vary from one sector to another and there is a difference in employment contribution pre and post Special Economic Zone Act period. There is a positive correlation between tax incentives offered to Cochin Special Economic Zone and economic contributions of Cochin Special Economic Zone (Nidheesh, 2014). Nidheesh (2015) in Cochin Special Economic Zone there is a difference in sector wise export contributions. Special Economic Zone Act had impacted on export promotion capacity of the zone.

From the above researcher understood that in India Special Economic Zone benefits are essentially resulting in the form of foreign exchange earnings through exports, employment opportunities twisted, investment mobilized from India as well as outsiders, expansion of infrastructure amenities and skill up gradation.

1.2. Special Economic Zones in India: Some Issues

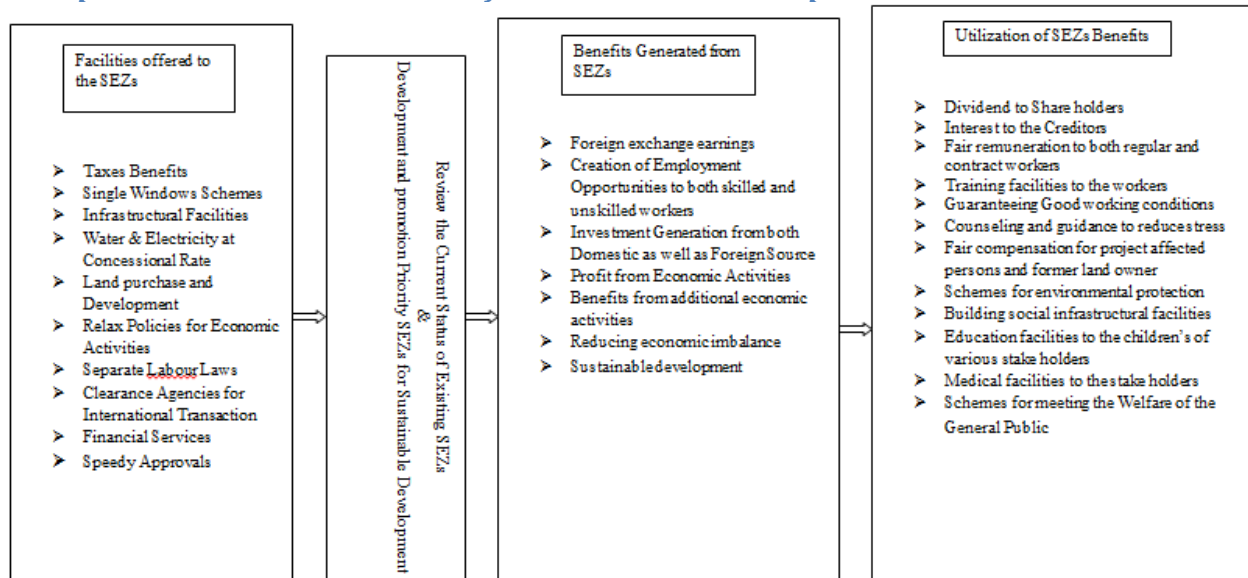
Arun (2007) found that the main issues in Indian special economic zones are insufficient compensation for land purchase, failure of employment in small scale sectors, loss of government revenue due to the tax benefits, migration to urban areas and establishment of novel landholders. According to Jeremy and Frederic (2007) workers problems, Government revenue losses due to benefits agreed to the multinational corporations, real estate speculation and insufficient reward for land purchase are the significant issues occur out of the setup of special economic zones in India. Sucha (2007) piercing out that the Indian special economic zones policy not included the significance of ordinary people and the sufficient recompense was not presented to the project affected publics. After land sold to reliance the marginal agriculturist in Haryana missing their fortune, missing the resource of their occupation, influenced their ability to maintain domestic animals and there was no remedial design (Vineeta, 2007). Shankar (2007) found that in India special economic zones resulted massive wastage of land, water, sand, electricity and further limited economic possessions. According to Ramachandran and Debatosh (2007) the land acquisition problems for the setting up of special economic zones in India are recognition of the site, the problem of displacement, reward, treatment, conjecture of land value, menace of potential transfer of entities from further parts of the states to special economic zones and failure of income. In India the export processing zones labors were mainly underprivileged of defense from neglects by employers separately from restricted assurances provided by the establishment and labors schemes have also been restricted in capacity (Mayumi and Nobuko, 2009). Seema and Parag (2008) had found that the major issues involved to setting up of special economic zones in India are land scam, chances of illegal imports and exports, labor exploitation, injustice to Indian industries, regional imbalances, revenue losses and enjoying tax loopholes. According to William and Matthew (2008) functioning of special economic zones in India resulted that government income sufferers, various issues for the purchase of land, food insecurity, settlement of project affected people, unfair area development, and anxious job of unskilled labor are the main defy. Large number of the special economic zones in India are located in the state of Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu and it and its special economic zones has been dominating their business (Panduranga *et al.*, 2009). According to Ravi and Meera (2009) the main issues of special economic zones are unfair reward for the purchase of land, regulatory issues and government income losses due to countless tax benefits provided to the special economic zones. Insufficient reimbursement for the purchase of land, income losses due to tax benefits offered to the developers as well as entity situated in the special economic zones, regional disparity in terms of economic progress, option of menace to the water and food security due to shifting land used to farming function to non-farming intention are the unpleasant results from the special economic zones in India (Deepak, 2009). According to Anjali (2010) special economic zones problems in India are differ from one state to another. In the state of Haryana, Tamil Nadu, Karnataka, Rajasthan and Gujarat the core special economic zones problems are inadequate value for acquisition of land and reward for project affected people. But in the state of Orissa, West Bengal and Andhra Pradesh the protests are against the special economic zones schemes that menace a means of life. Michael (2011) found that special economic zones is an additional financial course and the state government performing as land brokers for shift land from the rural agriculturist to information Technology. According to Jayaram (2015) the impact of special economic zones in India are farmers will be landless, increase unemployment rate, the existence of small scale industries is risk, neglect agriculture sectors, government revenue lost due to tax benefits, capitalism will be taken birth, no rules about construction, to increase financial disequilibrium, imbalance in environment, no protection of the workers.

1.3. Special Economic Zone Model for Sustainable Development

From the above researcher understood that main issues due to the working of special economic zones in India are unfair reward for former land owner, the project affected people are mainly socially and economically backward category, government revenue lost due the countless benefits given to the developers and entrepreneurs, exploitation of workers, regional economic imbalance due to the location of special economic zones (majority of the special economic zones are located in urban area of manufacturing states in India), there is a sector wise discrimination, water, air and sound pollution, heavily consumption of water and electricity and availing tax benefits by understanding the loopholes of tax laws.

To overcome above mentioned issues of special economic zones in India researcher suggested a model for the sustainable development. The following diagram shows special economic zone model (Indian scenario) for the sustainable development.

1.4. Special Economic Zone Model for Sustainable Development



Special economic zone model for sustainable development is agreeing that various kinds of incentives are needed for the development and promotion of special economic zones in India. Incentives include tax benefits, single window schemes for clearance, development of infrastructural facilities, offering water and electricity at concessional rates, development of land for setting up of units, relaxed policies for economic activities, clearance agencies for international transaction, financial services, speedy approvals and separate labor laws.

This model specifies that authority should review the status of existing Special Economic Zones. In India, special economic zones are mainly found in urban and coastal areas. And also special economic zones in India are operating mainly in IT and IT-enabled services, electronic and engineering, software and hardware, jewelry, chemical products, textiles and garments, food processing etc. Because of the above-mentioned points, special economic zones in India are an instrument to create regional economic imbalance. Hence, this model specifies that the authority should review the status of existing special economic zones. Thereafter, the authority should take needed steps for setting up priority special economic zones in our country for reducing regional economic imbalance. More specifically, special economic zones should be set up in rural places for the development and promotion of organic farming, traditional handicrafts, Tourism, Knowledge (both traditional and modern) etc. for the sustainable development of special economic zones in India.

The outcomes or benefits derived from the operating of special economic zones are earning foreign exchange by transferring goods and services, creating employment opportunities to both skilled and unskilled workers, generating investments from both domestic and outside, benefits generated from additional economic activities, reducing economic imbalance and sustainable development.

The above-mentioned benefits would be utilized to give dividends to the shareholders, interest to creditors, fair remuneration to the employees (both regular and contract), good working conditions, training facilities to the workers, education facilities, medical facilities, counselling and guidance to reduce stress, building social infrastructural facilities, fair compensation for former land owners and project-affected people, mechanism for environmental protection and welfare facilities to the general public.

2. Conclusion

Special economic zone is a geographical region within a nation-state in which a distinct legal framework provides for more liberal economic policies and governance arrangements than that prevail in the country at large, the intent being to stimulate investment, trade and employment. For the development and promotion of special economic zones in the country, various promotional measures were introduced. Even then, the working of special economic zones are not free from various hindrances. For minimizing those hindrances and improving the working of special economic zones, researchers proposed a special economic zone model for sustainable development.

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