
The Role of Special Economic Zones and their Socio-Economic Impact on Delhi/NCR

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Abstract:

Purpose: The paper will highlight the role of SEZ with reference to its impact on Delhi/NCR.

Design/Methodology/Approach: While numerous nations have set up Special Economic Zone (SEZs), China has been the best in utilizing SEZs to pull in unfamiliar capital. SEZs are normally made to encourage quick financial development in certain geographic locales. This monetary development is cultivated by utilizing charge motivations as a method of drawing in unfamiliar capital and mechanical progression. SEZs may likewise build out levels for the carrying out different nations that supply SEZs.

Findings: The study shows that SEZ projects should be started in backward area for development of regional equilibrium and overall economic development of the country. The SEZs' have high investment and employment potentials, specially in the area of software engineers and skilled workers. Hence there is need for social and political awareness among the people to support such schemes for the all-round economic and sustainable development of the country.

Practical Implications: As the study suggests SEZ is a very important factor for economic development. For equal development of the state, all-round development of the country, SEZ has an important role.

Originality value: This is the first, of its kind, research for the SEZs in India and their importance in the economic development of the state.

Keywords: Economy, taxes, SEZ, income, financial development.

JEL code: O1, O2.

Paper Type: Research study.

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1. Introduction

A Special Economic Zone (SEZ) is a zone in a country that is dependent upon unexpected monetary guidelines in comparison to different locales inside a similar country. The SEZ financial guidelines will in general be helpful for—and draw in—unfamiliar Foreign Direct Investments (FDI). FDI allows to any venture made by a firm or individual in one country into business intrigues situated in another country. At the point when a country or individual behaviors business in a SEZ, there are regularly extra monetary benefits for them, including charge motivators and the chance to pay lower duties. An extraordinary financial zone (SEZ) is a territory in a country that is dependent upon unexpected monetary guidelines in comparison to different areas inside a similar country.

1.1 Origin and Importance

The financial guidelines of Special Economic Zone (SEZs) will, in general, be helpful for—and pull in—unfamiliar direct speculation (FDI). Special Economic Zone (SEZs) are normally made to encourage quick monetary development by utilizing charge motivating forces to draw in unfamiliar venture and sparkle innovative headway. While numerous nations have set up Special Economic Zone (SEZs), China has been the best in utilizing SEZs to pull in unfamiliar capital. SEZs are normally made to encourage quick financial development in certain geographic locales. This monetary development is cultivated by utilizing charge motivations as a method of drawing in unfamiliar dollars and mechanical progression. SEZs may likewise build send out levels for the carrying out country and different nations that supply it with middle of the road items. In any case, there is a danger that nations may manhandle the framework and use it to hold protectionist hindrances (as charges and expenses). SEZs can likewise make a significant degree of organization because of their administrative necessities. This can channel cash away from the framework, making it less productive. While there are benefits for organizations, people, or substances working inside a SEZ, the macroeconomic and financial advantages for a nation utilizing a SEZ technique are liable to discuss. The principal SEZs showed up in the last part of the 1950s in industrialized nations. They were intended to draw in unfamiliar speculation from worldwide partnerships.

1.2 SEZ in India

The Special Economic Zone (SEZ) strategy in India initially came into origin on April 1, 2000. The superb target was to improve unfamiliar venture and give a universally serious and bother free climate for sends out. The thought was to advance fares from the country and understanding the need that level battleground should be made accessible to the home-grown undertakings and makers to be serious universally. An enactment has been passed allowing SEZs to bring to the table tax reductions to unfamiliar financial backers. Over a large portion of 10 years has passed since its origin, yet the SEZ bill has certain downsides because of the exclusion of key arrangements that would have loosened up unbending work rules. This has decreased India's opportunity of imitating the achievement of the Chinese

SEZ model, through unfamiliar direct speculation (FDI) in trade arranged assembling. The approach identifying with SEZs, so far contained in the unfamiliar exchange strategy, was initially carried out through piecemeal and impromptu corrections to various laws, other than leader orders. To keep away from these traps and to give a long haul and stable approach system with least guideline, the SEZ Act, '05, was ordered.

1.3 Location of SEZ in India

At present there are eight utilitarian SEZs situated at Santa Cruz (Maharashtra), Cochin (Kerala), Kandla and Surat (Gujarat), Chennai (Tamil Nadu), Visakhapatnam (Andhra Pradesh), Falta (West Bengal) and Noida (Uttar Pradesh) in India. Further a SEZ in Indore (Madhya Pradesh) is currently prepared for activity. Likewise 18 endorsements have been surrendered for setting of SEZs at Positra (Gujarat), Navi Mumbai and Kopata (Maharashtra), Nanguneri (Tamil Nadu), Kulpi and Salt Lake (West Bengal), Paradeep and Gopalpur (Orissa), Bhadohi, Kanpur, Moradabad and Greater Noida (UP), Vishakhapatnam and Kakinada (Andhra Pradesh), Vallarpadam/Puthuvypeen (Kerala), Hassan (Karnataka), Jaipur and Jodhpur (Rajasthan) based on proposition got from the state governments.

1.4 SEZ in Delhi/NCR

Delhi/NCR includes Delhi and the national capital region of Delhi, Gurgaon, Noida, Greater Noida, Faridabad, Ghaziabad and Sonapat. There are nine special economic zones in total in Delhi/NCR, as follows (Table 1):

Table 1. SEZs in Delhi/NCR

SEZ	City	Sector
DLF Cyber City	Gurgaon	IT/ITES
DLF Limited	Gurgaon	IT/ITES
Gurgaon Info Space Ltd.	Gurgaon	IT/ITES
HCL Technologies	Noida	IT/ITES
Moser Baer SEZ	Greater Noida	Non-conventional energy including solar energy equipment/cell
WIPRO Ltd.	Greater Noida	IT/ITES
NIIT Technologies Limited SEZ	Greater Noida	IT/ITES
Aachvis Softech Pvt. Ltd.	Noida	IT/ITES
Noida SEZ	Noida	Multi product

Source: Own study.

As such, in the Delhi National Capital Region (NCR), which is made of the capital Delhi and parts of the neighbouring states, there are 14 operational SEZs. Delhi NCR's SEZ are mainly located in the satellite cities of Gurugram or Gurgaon, (Haryana state) and Noida (Uttar Pradesh state). More than 70 percent of Gurgaon's state and private SEZs are located in micro-markets, such as the Golf Course Extension Road and Sohna Road areas, while Noida SEZs constitute one federal government SEZ and several private SEZs that are mainly concentrated along Noida expressway. All these SEZs are well connected to India's main ports via railway network, expressways, and dry ports. Delhi NCR has five main railways stations, an

international airport, and India's biggest inland container dry port (ICD) in Tughlakabad, an area is south Delhi. The ICD at Tughlakabad has daily train services to India's major ports, including Jawaharlal Nehru Port Trust (JNPT) in Mumbai (Maharashtra state), and Mundra Port Trust (MDPT) (Gujarat state). It has new state of the art equipment and facilities, coupled with excellent rail linkages to the gateway ports. It also touches the National Highway (NH)-2 and is conveniently located, having approach to major roads in Delhi connecting all national highways leading out of the state. Together, these factors mean that investors have a lot of options within the NCR. Business people should first examine the incentives on offer to begin to understand the value of SEZs, before examining the variety of SEZs that have been established in the NCR.

1.5 Noida Special Economic Zone

The SEZ is located in Noida, which borders Delhi, and connects into greater India via the Noida-Greater Noida Expressway. The NSEZ houses businesses that are primarily engaged in software or gems and jewelry. Jewelry and software development units account for about 75 percent of the export turnover from the NSEZ. Other industrial units comprise manufacturers of garments, electrical goods, pharmaceuticals, leather, and sports products. The NSEZ has 202 developed plots, 13 factory complexes that can accommodate 208 units, including one exclusive block for trading service units. The region receives power from the integrated grid of Uttar Pradesh state power systems and the northern regional grid. All units in the SEZ receive a continuous supply of water; water charges are INR 2054 (US\$30) per standard design factory (sdf) per quarter. Noida and greater Noida region has 21 notified SEZs; 18 are for IT or ITeS sector, one for agro and food processing products, one for biotechnology, and one for handicrafts. Out of these the following SEZs are currently operational:

- HCL technologies

Located at sector 3, Noida, HCL technologies is an IT and ITeS SEZ. It is spread over 16.91 hectares of land.

- Moser Baer SEZ

Moser Baer SEZ focuses on the production of non-conventional energy including solar energy equipment. It is located in greater Noida and covers an area of 11.9 hectares.

- Aachvis Softech Private Limited

Located at sector number 144, the SEZ is for IT and ITeS companies. Aachvis Softech covers an area of 10 hectares.

- Wipro Limited

Wipro Ltd. SEZ is located in Greater Noida and is spread over 20 hectares of land. Its focus sector is IT and ITeS.

- NIIT Technologies Limited SEZ

NIIT is a sector specific SEZ for IT and ITeS. It is located in greater Noida and is spread around 10.12 hectares of land.

1.6 Operational SEZs in Gurgaon

SEZs have emerged as major export hubs in Gurgaon. Total 28 SEZs have been notified in Gurgaon district. Out of these, two zones are multi-service, 20 are for IT and ITeS, two are for biotechnology, two are for electronics and hardware, one is for textiles, and one is for engineering. The following SEZs are currently operational in the district:

- **DLF Cyber City Hub**

Located at sector number 24 and 25A, Gurgaon, DLF cyber city is an ITeS SEZ. It is spread over 14.97 hectares of land.

- **DLF Limited**

DLF Limited is located just off the National Highway-8 and in close proximity to Indira Gandhi International Airport. The SEZ is spread across 10.3 hectares of land.

- **Gurgaon Infospace Limited**

Gurgaon Infospace is located at Dundahera village, Gurgaon district. The SEZ covers an area of 11.202 hectares. It is a sector specific SEZ for IT and ITeS businesses.

- **ASF Insignia SEZ Private Limited**

ASF Insignia SEZ (also known as Canton Buildwell Private Limited) is located in Gurgaon adjoining the Faridabad-Gurgaon road. The project is spread over 19.302 hectares. It is an IT sector specific SEZ.

- **Unitech Realty Projects Limited**

Unitech Realty Projects Limited is located at Tikri village in Gurgaon. Unitech Realty Projects is spread over an area of 10.041 hectares. It is an IT sector specific SEZ.

1.7 Warehousing Clusters in Delhi NCR

Warehouses form a vital part of the supply chain for companies distributing goods manufactured in SEZs to other parts of the country. Companies might own or lease spaces, but all of them need well-oiled warehouses to keep their supply chain efficient. Instead of storing imported goods in regular warehouses, companies trading and manufacturing in SEZs can use bonded warehouses to stock their products. Bonded warehouses accept imported goods before payment of customs duties. By storing his goods in a bonded warehouse the importer gains some control without paying the duty. However, they are not allowed to take away the goods until such duty is paid. Bonded warehouses are owned, managed, and controlled by the government as well as private agencies. In Delhi NCR, there are several private agencies that offer bonded warehousing services. These are mostly located in the region's major industrial and warehousing clusters.

2. Socio-Economic Impact of SEZ in Study Area

Numerous financial and regulatory incentives are provided to developers of the SEZs as well as units within these zones. In addition to the incentives offered by the

Central SEZ Policy, state policy offers several additional incentives to the units within these zones. According to the Indian SEZ Policy, a SEZ may be established by a private company (individual / non-resident Indian / Indian company / foreign company), or state government, or a combination. Within these zones, units may be set-up for the manufacturing of goods, provisioning of services, and other activities including processing, assembling, trading, repairing, reconditioning, and the production of gold/silver/platinum. The Policy allows 100 percent foreign direct investment in most manufacturing activities. If the SEZ developer or members of the developing group seek to engage in foreign direct investment, FDI policies and procedures must be complied with. These are in addition to SEZ policies and measures, which are common with or without FDI. Various tax benefits are available to SEZ developers, including:

- Exemption from customs and excise duties;
- 100 percent income tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for the first five years, 50 percent for the five years thereafter, and 50 percent of the ploughed back export profit for the next five years; and,
- Exemption from minimum alternate tax, exemption from dividend distribution tax, exemption from goods and services tax (GST) on inter-state purchases of goods.

Besides the above central regulatory establishments, most of the states have or are in the process of enacting their own SEZ policy. The requirement of the state SEZ act or policy is to provide a collection of regulatory frameworks for SEZ development in the state in consonance with the Central Act, provide for economic incentives to SEZ developers and SEZ units, provide a mechanism for single window clearance for SEZ developers, and provide a device for resolving state level matters concerned with labour, pollution, and municipal corporation.

2.1 Employment Effects

The employment effect of SEZs operates through three channels; one, SEZs generate direct employment for skilled and unskilled labour, two, they also generate indirect employment, and three, they generate employment for women workers. It is believed that employment creation generates incomes, creates non-pecuniary benefits, improves the quality of life of labour and enhances their productivity. These, in turn, have poverty reduction effect.

2.2 Skill Formation (Human Capital Formation) Effects

There are various modes by which SEZs can positively contribute to human capital formation. One is the firm level activity whereby the host country labour force acquires skills from within the firm through training and learning by doing on the job (Kusago and Tzannatos, 1998). Zone units can thus directly affect the skill formation as workers are provided additional training on- and off the job. Local employees of multinational corporations (MNCs) in some cases are sent to their headquarters abroad or elsewhere for middle and, more often, higher management

training, and advanced technician training. Training may spread broader than enterprise programmes.

2.3 Unionization of labour

In India, all labour laws of the land are applicable to SEZs including the right to form trade unions. However there are reports that the authorities in collusion with the factory management suppress this movement. An all-India Convention of SEZ/SEZ workers was organized by the Centre for Indian Trade Unions (CITU) in 2002 at Visakhapatnam. This was the first ever effort by a trade union to develop a nationwide coordinated movement of the workers in the SEZs in the country. Around 100 workers employed in the Cochin Special Economic Zone, Madras Export Processing Zone and Visakhapatnam Export Processing Zone participated in the Convention. However this movement did not catch on to give any decisive direction.

3. Conclusion

The study reveals the following conclusions as far as socio-economic implications are concerned:

- Farmers will be landless: In India near about 70% of the population depend on farming. Many traders in SEZ acquire lands from farmers at cheap roles and create a land bank for themselves, due to this some formers are committing suicide because they have no any source of income.
- Revenue Loss: The government and Reserve Bank will be giving for free facilities to the entrepreneurs. It would create a burden on the finance ministry as tax collected would be less.
- Starting of Capitalism: The industrialist of the SEZ is providing various facilities; some of the industrialist will be take benefit. They will sales their product in fewer prices and creating monopoly.
- Confusion in rules about the construction: In SEZ there is no rules explained about construction. Roads open space, construction area etc. are not declared in details.
- To increase financial gap: In industrial area the government is transferring their responsibility to the SEZ holders. Due to this the gap of rich and poor will be increasing. For this reason, social dissatisfaction will occur.
- Problem related to environment: In SEZ area industries will mix unusable chemicals in the water and air and water and air pollution will be increased. The sound of heavy machinery in SEZ is creating sound [SEP]pollution and environment will be imbalance.
- No protection of the workers: In SEZ worker law will not be considered. Due to this industrialist will be increase working hours, close the work, lock-out, decrease the workers etc. and workers has not protection [SEP]for their work.

- To neglect agricultural sector: Due to SEZ agriculture sector is neglected by the government. The ^[1]_[SEZ] industries in the SEZ was held maximum land are not given clear in the special Economy Zone Act.

4. Suggestions

SEZ is very important factor for economic development. For equal development of the state, all-round development of the country, SEZ is play a important role. To solve the problems of the SEZ, some charges are necessary. For solve the problems of SEZ, following options should be considered:

- For SEZ only non-agricultural land should be given.
- Give priority to local workers in employment.
- Maximum land limitation should be mentioned in Act.
- Workers Law should be applied in the SEZ Act.
- Land holders should be given shares and employment in SEZ project.
- The government should be taken care about the farmers whose land acquires.
- Due to SEZ small scale industries will be closed, unemployment will increase. So on that situation government must give some assistance to small scale industries.
- In SEZ many types of industries should be created pollution in water, air and sound. For protect pollution the projects of SEZ will established 10 to 15 K.M. away from the cities and villages.

All over the opposition to SEZ, but for financial development, export, growth, increase employment of the country, SEZ is essential. It is necessary to see the SEZ in a positive view. SEZ projects should be started in backward area for development of regional equilibrium and overall economic development of country. The SEZs' have high investment and employment potentials, specially in the area of software engineers and skilled workers. Hence there is need for social and political awareness among the people to support such schemes for the all-round economic & sustainable development of the country.

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