

# A Study on Export Performance of India with reference to Special Economic Zones

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## ABSTRACT

Increasing demand and Growing population have an immense scope for international trade. Through international trade countries have started to export their surplus commodities that are produced to satisfy the unlimited and scarce wants of the particular commodity in another country. In this paper we are trying to establish a casual relationship between exports from special economic zones and total exports from India. The result of this paper will reveal that there is a positive relationship between SEZ exports and Total exports from India. Exports are playing a vital role in bringing foreign currencies in a country, so Special Economic Zone (SEZ) is an area which is governed and run in the supervision of the government. Modern amenities and necessary infrastructure will be present in Special Economic Zones to promote and assist companies to compete in the international market. There are only 15 states in India where there is operating SEZs out of which only 4 states Gujarat, Tamil Nadu, Karnataka and Maharashtra are doing well and actively contributing in the total exports of the country. It is also observed through the study that SEZs are currently underperforming than the previous years.

**Keywords:** Exports, SEZ, Export Performance, SEZ Exports, Contribution

## INTRODUCTION

The impact of Exports on the economy has attracted the minds of economists and researchers since ages. With the beginning of welfare economics in late 1800's, the prime concern of policymakers was improving the quality of life of people, and this could be achieved by increasing employment, income and production. Imports and exports play an important role in providing momentum to the growth of any developing country through the effect of multiplier.

Exports from India have increased rapidly in the past decade after the SEZ Act. Robertson (1938) stated that the exports are the 'engine' of growth. Robertson also suggested that countries with greater exports always have rapid overall growth. Exports provide the basis for sustainable development by earning necessary foreign exchange for the country to import necessary products. India has a wealthy history of International trade and is steadily working to harvest the benefits in the best possible manner.

Growth of any developing country is directly related to its exports. If exports are greater than imports then nothing can stop a country from being a developed one. But on the other hand if there is instability in exports or if the exports of any developing country are less than its imports then it adversely affects the process of its economic development. Decrease in exports means low foreign exchange earnings which means less purchasing capacity of a country in the international market.

On the other hand if there is more uncertainty on export proceeds then it also brings about risk aversion. On an average Export fluctuations act as a barrier to the growth and stability in a developing economy.

Government of India has announced the SEZ Policy in April 2000 for providing an international competitive environment for exports. The basic objective behind introducing this policy was to make available tax and duty free goods and services supported by equipped infrastructure for export production, single window clearance and expeditious approval mechanism to attract domestic and foreign investments for encouraging export-led growth.

In the beginning Special Economic Zones functioned from November 01' 2000 to February 09' 2006 under the provision of Foreign Trade Policy/EXIM Policy of India where fiscal incentives were allocated through the provision of relevant statutes, but this system did not generate enough confidence among investors to commit considerable investment for infrastructural development and for setting up the new export units for producing goods and services.

For providing stable and long term policy framework, single-window clearance to compete with international business practices, a Central Act was therefore found for Special Economic Zones in 2005 (SEZ Act 2005), after this on 10 Feb 2006 The Special Economic Zones Rules, 2006 (SEZ Rules) were notified and it came into operation from 10 February 2006. To deal with the central/State enactments there were single window clearance mechanism and simplified procedures in SEZ Policy.

### REVIEW OF LITERATURE

Exports as an engine of economic development have been a subject of debate. A large amount of literature is available for identifying the impact of export on economic growth of any country. **Krugman (1984)** and **Kaldor (1967)** found a one way causality between production and exports. They further stated that increased production leads to increased productivity and increased productivity leads to increased growth of exports.

**Yuhong, Li and et. al. (2010)** completed a co integration analysis with the data of international trade and suggested that the imports played an important role in the economic growth of china whereas export performed an opposite one.

**Hatemi (2002)** explained the causality between economic growth and export growth in Japan. The result showed that the granger causality is bidirectional, which means for economic growth a country must go for the enhancement of exports. However they point to a causal relationship between exports, international trade and economic growth.

**Vohra (2001)** checked the relationship between export and growth in India, The Philippines, Thailand, Malaysia and Pakistan for the period of 1973 to 1993 and concluded that when a country has gained some level of economic development then only exports have a significant and positive impact on economic development of a country. At the same time he also suggested that the liberal market policies are also playing an important role in attracting exports and foreign trade policies of a country.

### HYPOTHESIS

H01 : There is no significant impact of SEZ exports on Total Exports.

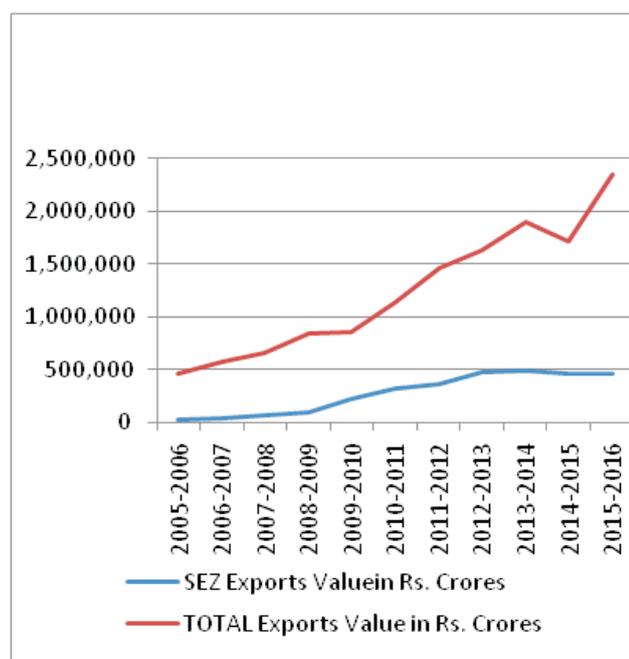
### EXPORT PERFORMANCE OF SEZ IN INDIA

In the span of 12 years since SEZ Act, which was enacted in 2006 February, approximately 415 formal SEZ approvals have been made and there is only 204 operational SEZs holding around 4166 units within it. This is a major reason why the contribution of exports from SEZ units to Total exports is increasing every year.

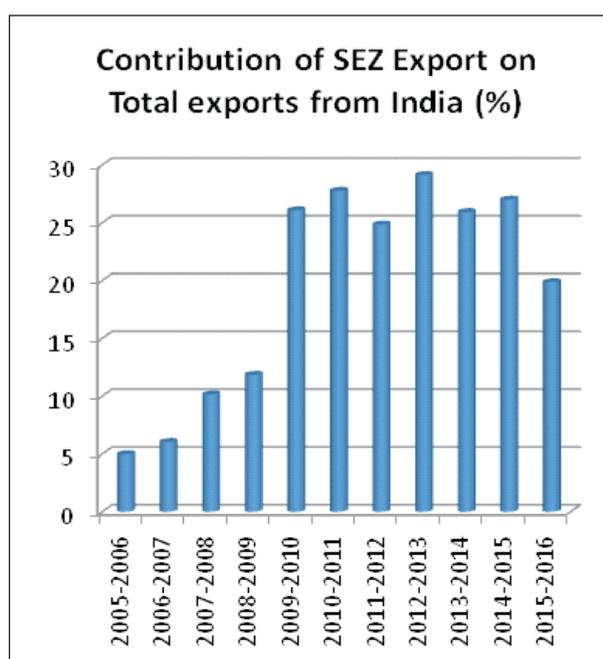
Table 1: SEZ Export Performance (2006-2016)

Years	SEZ Exports Value in Rs. Crores	Growth over previous year	TOTAL Exports Value in Rs. Crores	Export Contribution Percentage
2005-2006	22,840	--	456417.9	5
2006-2007	34,615	52%	571779.3	6.05
2007-2008	66,638	93%	655863.5	10.16
2008-2009	99,689	50%	840755.1	11.86
2009-2010	220711	121%	845533.6	26.1
2010-2011	315868	43.11%	1136964	27.78
2011-2012	364478	15.39%	1465959	24.86
2012-2013	476159	31%	1634318	29.14
2013-2014	494077	4%	1905011	25.94
2014-2015	463770	-6%	1716378	27.02
2015-2016	467337	0.80%	2351270	19.88

Source: (sezindia, 2016), (www.commerce.nic.in)



Graph: 1



Graph: 2

**Interpretation**

Since 2006 SEZ is showing increasing trend in the export value till 2016 but in the year 2014-15 there is a declining trend in the value of exported goods. Hence the calculated growth pattern is showing that the performance of SEZ was fine during the past years than the recent years. It can be undoubtedly noticed that till 2010 the export performance is exponential in terms of value and after 2010 the growth is gradually linear and it has declined in 2015. The calculated percentage of SEZ contribution with respect to total exports from India is indicating increasing value in the export contribution percentage, which has been considered for the study.

**Table 2 : Group Statistics**

	Exports	N	Mean	Std. Deviation	Std. Error Mean
Group	SEZ Exports	11	2.75E5	192153.394	57936.428
	Total Exports	11	1.23E6	619489.156	186783.009

**Table 3 : Independent Samples Test**

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Group Equal variances assumed	16.919	.001	-4.906	20	.000	-959460.673	195562.067	-1367395.996	-551525.350
Group Equal variances not assumed			-4.906	11.907	.000	-959460.673	195562.067	-1385924.861	-532996.485

**Interpretation**

From the T-Test we can conclude that there is an impact of SEZ exports on total exports from India as the P value is .000 which is less than .05 hence the null hypothesis is rejected with a significant difference of 5%

**Discussion**

On the basis of above table no. 3 and 4 the mean of SEZ exports and total exports is 275107.4545 and 1234568.127 respectively, STDEV is 192153.394 and 619489.156 respectively with the F value of 16.919 which shows if SEZ exports increases then the value of Total exports will also increase.

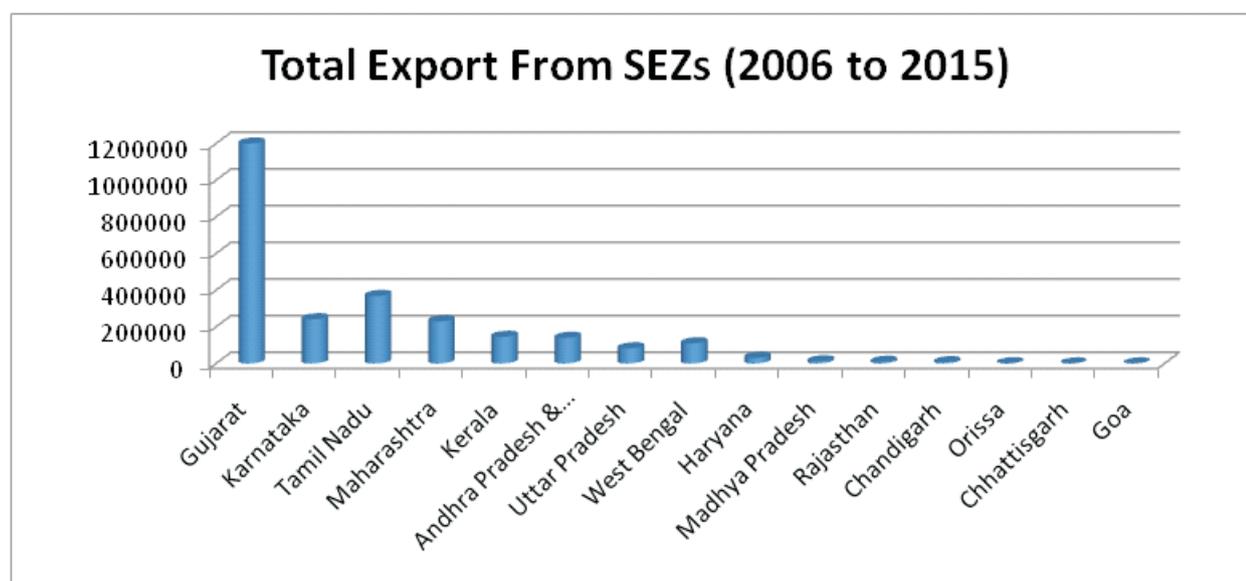
From the above analysis we can also conclude it is obvious that instead of decrease in total exports, the contribution of SEZ exports to total exports is increasing and it is expected to increase in future.

From the analysis made, it is clear that despite a decrease in total export, SEZ contribution to total export is increasing and is expected to increase and Growth percentage of Special Economic Zone (SEZ) indicating that there is a direct proportionality with total exports.

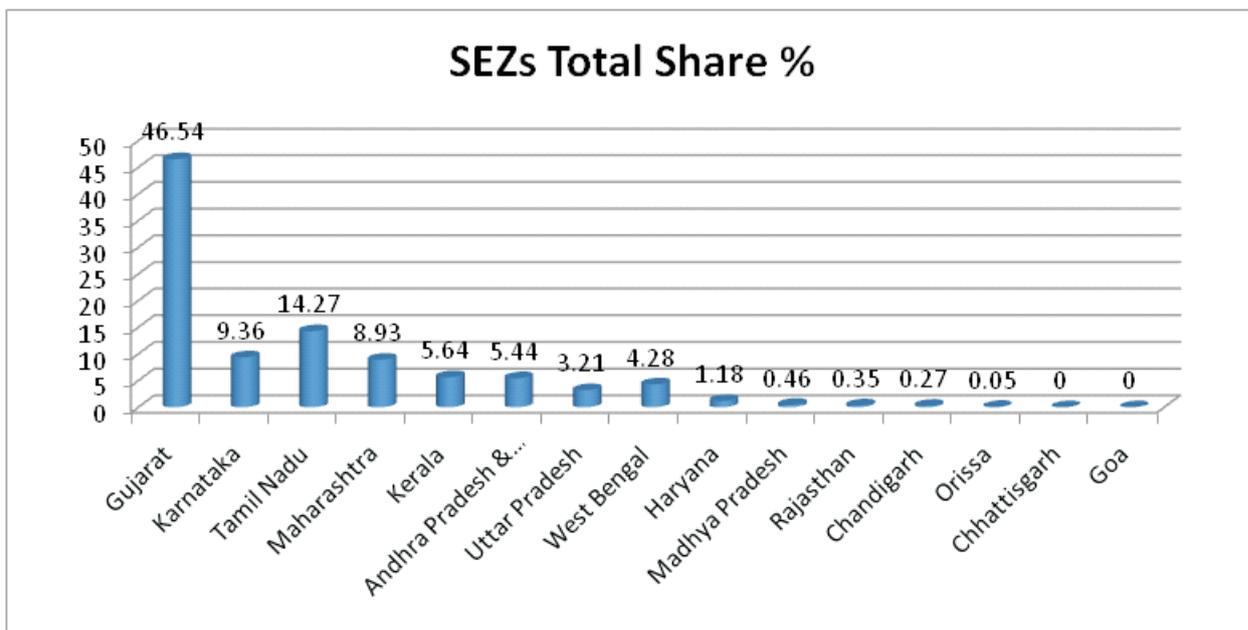
Table 4 : State wise export from SEZs (2006-2016)

S. No.	State/UTS	Total Export From SEZs (2008 to 2015) (Values in Cr.)	Mean	S. D.	SEZs Total Share %
1	Gujarat	1199775.33	171396	89467.6	46.54
2	Karnataka	241254.96	34465	19814.4	9.36
3	Tamil Nadu	367886.46	52555.2	22871.2	14.27
4	Maharashtra	230340.52	32905.8	19594.5	8.93
5	Kerala	145489.98	20784.3	9616.42	5.64
6	A.P. & Telangana	140340.72	20048.7	13763.8	5.44
7	Uttar Pradesh	82683.09	11811.9	5166.11	3.21
8	West Bengal	110341.95	15763.1	3725.76	4.28
9	Haryana	30295.92	4327.99	3474.6	1.18
10	Madhya Pradesh	11929.6	1704.23	1098.78	0.46
11	Rajasthan	9076.38	1296.63	697.48	0.35
12	Chandigarh	6934.48	990.64	797.01	0.27
13	Orissa	1364.09	194.87	149.54	0.05
14	Chhattisgarh	17.09	2.44	3.77	0
15	Goa	0	0	0	0
All Indian total exports in SEZs		2434752.23	347822	147383	100
Mean			25749.8		

Source: (sezindia, 2016)



Graph: 3



Graph: 4

**Interpretation**

From the above table no. 4 it is concluded that Gujarat is contributing almost half in the total SEZ exports from India followed by Tamilnadu (14.27) and Karnataka (9.36) respectively. The mean value is calculated for the period 2006-2016 is showing the least value for Orissa and highest values for Gujarat, Tamilnadu and Karnataka. The export contribution of Goa and Chhattisgarh is nearly Zero percent.

**Discussion**

From the above discussion it is concluded that SEZ in different states is not functioning effectively. The export contribution value to total SEZ export value from Gujarat, Tamilnadu and Karnataka is significantly greater while rest of the states are contributing less than 10% in total SEZ exports.

**CONCLUSION**

On the basis of above analysis it can be concluded that Special Economic Zones are contributing a major amount to total export from India and every year the contribution value is increasing linearly. It is also concluded that From the above analysis even though the total exports is decreasing but the contribution SEZ exports is increasing and it is expected to increase in the future too. It is also found that only 4 states in India (Gujarat, Tamil Nadu, Karnataka and Maharashtra) are contributing and utilizing the SEZ policy effectively. These states hold more than half of the total export value from Special Economic Zones, where as the rest 11 states are only contributing around 20 % of the total export value which is less than 25749.76 Cr. Rupees

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