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Status Of Special Economic Zones In Andhra Pradesh– An Overview

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Abstract
The state of Andhra Pradesh has significant role in the overall growth of Special Economic Zones in India both in number and exports. The present study aims to examine the status of SEZs in Andhra Pradesh with respect to no. of formal approvals and also notified SEZs. The study examines the area wise distribution of Special Economic Zones in Andhra Pradesh and also the product wise distribution of Special Economic Zones. This paper also examined the area allotted to various Special Economic Zones in Andhra Pradesh. The study found that large number of Special Economic Zones are approved in Andhra Pradesh. Coastal Andhra with all the nine districts covered with 28 SEZs (70%) and accounts for 8,891 hectares (82.5%) area. Rayalaseema with all the four districts covered with 12 SEZs (30%) and accounts for an area of 1884 hectares (17.5%).In both coastal Andhra and Rayalaseema regions the focus has been on the service sector, Information Technology in particular, which requires very little land per SEZ.The IT sector occupies only 6.1% total area in 14 locations.Multi-product SEZs constituting 59.2% of total SEZ area in the State. The study recommended to establish more number of SEZs in manufacturing sector as they can provide more employment opportunities.

KeyWords: *Special Economic Zones, Service sector, Information Technology,Manufacturing sector*

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I. Introduction

Special Economic Zones are introduced in the country to promote the exports and to improve the trade balance. They are also helpful in increasing employment, investment, job creation. A special economic zone (SEZ) is an area in which the business and trade laws are different from the rest of the country.The state of Andhra Pradesh has significant role in the overall growth of Special Economic Zones in India both in number and exports.The Government of India initiated its SEZ policy with the influence of the Chinese SEZs. In 2000, the Commerce Minister of India initiated changes in India'sExport-Import policy, which converted existing Export Processing Zones (EPZs), to Special Economic Zones (SEZs).

Evolution of SEZs in India

Initial phase (1965-85): The first Export Promotion Zone (EPZ) in India setup in the year 1965 in Kandla in Gujarat. It is the first step towards the development of SEZs in India. Santacruz Electronics Export Processing Zone was started in Mumbai in 1973. At that time, India was facing a severe problem of shortage of foreign exchange reserve aand deficit in the Balance of Payments. Actually the activities of EPZs are expected to solve these two issues. But the situation has not improved as expected. It was argued that policy was rigid and package of incentive and facilities was also not attractive within the EPZs. Various committees were appointed to review the performance and problems of the EPZs. Kaul committee and Tandon Committee were formed to review the functioning of both EPZs and to recommend some policy measures to improve their unfavourable performance. These committees recommended for single window clearance, procedural simplicity, infrastructural development, more concessions and etc.

Expansionary phase (1985-91):The second phase was started in 1980 with a view to implement the recommendations of above mentioned committees regarding expansion of EPZs. in the year 1984 Export Promotion Zones were started in four more places that are in Noida (UP), Falta (W Bengal), Cochin (Kerala) and Chennai (Tamil Nadu). In 1994 the Visakhapatnam (Andhra Pradesh) Export Promotion Zone (VEPZ) became operational. In 1998 the Surat EPZ became operational.

Consolidating phase (1991-2000): The third phase was started with the beginning of economic reforms in the country. In 1991, during Gulf War, India faced a serious problem of Balance Of Payments crisis. Government focus was shifted from Import substitution policy to Export promotion Policy. Various structural and non structural measures were taken by the government regarding the SEZ policy. Procedural simplification,

rationalization of customs procedures and delegation of power to authorities are some of the important changes in SEZ policy.

Emergence phase (2000 onwards): This phase was considered as a best phase in the history of SEZs because it has brought a strong revolutionary change in the growth path of SEZs in India. The phase begins in the 21st century when most developing countries in world have believed the international trade as the engine of economic growth. At that time, Government of India was impressed by the success of Chinese model and decided to implement the Chinese model of SEZs. Therefore, Government of India during the EXIM policy (1997-2002), announced a policy, namely, SEZ policy in the country on 1 April 2000. As per the new policy, all existing EPZs were converted into SEZs.From 2001 onwards the EPZs were converted into SEZs. In 2001 the EPZs at Kandla and Cochin and Surat were converted into SEZs. The EPZs at Noida, Falta, Chennai and Visakhapatnam were converted into SEZs in 2003.In 2005 Government of India enacted the SEZ Act, which received the assent of the President of India on June 23, 2005.

SEZ ACT of 2005: The real growth in SEZ activity was started by the SEZ Act of 2005. The main objectives of SEZ Act are generation of additional economic activity, promotion of exports of goods and services, promotion of investment from domestic and foreign sources, creation of employment opportunities, and development of infrastructure facilities.In Indian SEZ policy, size requirement for a SEZ is much lower when compared to other countries. In India IT related SEZs are allowed in small areas also. But the multi-product SEZs needed to be at laeast 10 square kilometres of area. The other important feature of Indian SEZ policy is they are allowed both in public and private sectors.The states of Andhra Pradesh, Gujarat, Maharashtra, Karnataka, Kerala, Uttar Pradesh and Tamil Nadu, which host more than 80% of total operational SEZs.

II. Literature review

The reviews relating to the present study gives the status of Special Economic Zones in various states. *Shruthi, M.V. and Sarala, K.S.* (2014) Studied on '*Trade Performance of SEZ in Southern India – A Comparative Study of Karnataka and Kerala SEZ'* . The study examined the contribution of Southern SEZs towards India's Trade. With the help of the collected sources of data it examined the export – import trade of Karnataka and Kerala SEZs and their contribution to Indian exports. *Kumar, A. & Kumar, S.* (2017) in his work on '*A study of current status and performance of SEZs in India, KAAVIJECBM'* examined that the state wise distribution of approved special economic zones. And the study found that maximum number of Special Economic Zones are located in the state of Telangana, followed by Karnataka and Maharashtra. This study also examined the sector-wise distribution of approved SEZs and found that the maximum SEZs are approved in IT, Electronic Hardware and Telecom, followed by Biotechnology and Multi-Product Sectors. *Xavier Cirera Rajith and Lakshman* (2017) studied on "*The impact of export processing zones on employment, wages and labour conditions in developing countries: systematic review".* The study covers the results of a systematic review of the impact of EPZs on employment, wages and labour conditions in developing countries. This study did not found any empirical evidence that SEZs created additional employment. *Professor N. Viswanadham* (2006) studied on *"Infrastructure strategies for export oriented manufacturing and service zones in India".*This study suggested the investment in a SEZ in India will save time and effort involved in the bureaucratic processes for setting up operations in India. Although Indian market size can absorb all that is produced the investors have the option of export and repatriation of the proceeds. *Alder, Simon, Lin Shao, and Fabrizio Zilibotti* (2016) studied on "*Economic Reforms and Industrial Policy in a Panel of Chinese Cities."* The study examined the effect of place-based industrial policy on economic development, focusing on the establishment of Special Economic Zones (SEZ) in China. The study also investigated whether there are spillover effects of SEZ on neighboring regions further away and find positive and often significant spillover effects. *Yeseul Hyun and Ravi, Shree* (2018) studied on *"Understanding the Effect of Indian Special Economic Zones on the Informal Economy."* The study examined the influence of Indian SEZs by exploiting spatial variations in the timing of zonal operations. Using satellite and survey data, the study found that SEZs boosted economic activity within areas several times the size of the zones. The study found that the SEZs created a structural change in the local economy and can find resources shifting away from the informal sector and the formal sector. *Chaurey, Ritam* (2016) *"Location-based Tax Incentives: Evidence from India."* Journal of Public Economics, 101–120. The paper studied the impact of a location-based tax incentive scheme in India. The study found proper evidences that there is a large increase in employment, total output, fixed capital, and the number of firms as a result of the Location-based Tax Incentives program. T his increase is a result of growth of existing firms as well as the entry of new firms. *Babita* (2018) in her work on "*A study to evaluate the performance of special economic zones SEZs in India*." The study found that the state wise distribution of SEZs in India was regionally skewed to southern, western and northern regions. These regions exclusively constituted about 70 percent of the notified SEZs. In eastern region there are no formal approved SEZs till date. The study also showed that the performance of Indian SEZs on all economic parameters was not found remarkable. It was far behind the SEZs operated in other countries. Their share in generation of manufacturing employment was very negligible which serves as a

matter of concern for the Indian economy. *Rahoof* et al. (2016) examined " *The performance of SEZs post SEZs Act 2005*" by using secondary data. They found that the development of Indian SEZs in terms of investment, employment creation, export, regional development was positive since enactment of SEZ Act 2005. Private zones performed better than public zones. Further, they found that the SEZs were set up in already developed areas which did not fulfil the objective of balanced regional development. They suggested that government should have more focus on approving SEZs in manufacturing sector and the scheme "Make in India" may be used as an opportunity in favour of SEZs. *Ram Krishna Rajan* (2006) examined the policy in terms of export performance, FDI inflow, employment generation, etc. through SEZ in his research Special Economic Zones: Are They Good for the Country? The study examined how the SEZ policy affects export performance, FDI influx, job creation, and the development of overall physical and financial infrastructure.

To sum up, maximum number of Special Economic Zones are located in the state of Telangana, followed by Karnataka and Maharashtra. This study also examined the sector-wise distribution of approved SEZs and found that the maximum SEZs are approved in IT, Electronic Hardware and Telecom, followed by Biotechnology and Multi-Product Sectors. *Kumar, A. & Kumar, S.* (2017) . The research studies did not found any empirical evidence that SEZs created additional employment. *Xavier Cirera Rajith and Lakshman* (2017.The investment in a SEZ in India will save time and effort involved in the bureaucratic processes for setting up operations in India. Although Indian market size can absorb all that is produced the investors have the option of export and repatriation of the proceeds *Professor N. Viswanadham* (2006). The SEZs created a structural change in the local economy and can find resources shifting away from the informal sector and the formal sector. *Yeseul Hyun and Ravi, Shree (2*018). There is a large increase in employment, total output, fixed capital, and the number of firms as a result of the Location-based Tax Incentives program. This increase is a result of growth of existing firms as well as the entry of new firms *Chaurey, Ritam* (2016). The state wise distribution of SEZs in India was regionally skewed to southern, western and northern regions. These regions exclusively constituted about 70 percent of the notified SEZs. In eastern region there are no formal approved SEZs till date. *Babita* (2018)

Private zones performed better than public zones. The SEZs were set up in already developed areas which did not fulfill the objective of balanced regional development. The government should have more focus on approving SEZs in manufacturing sector and the scheme "Make in India" may be used as an opportunity in favour of SEZs *Rahoof* et al. (2016). The studies relating to Andhra Pradesh is very limited. Hence the present study focuses on the status of SEZ in Andhra Pradesh.

Aim

The main aim of this research paper is to determine whether or not the policies towards SEZs are beneficial for the nation. The performance of Export Processing Zones (EPZs), which are smaller versions of SEZs, have also briefly addressed.

Objectives:

1. To examine the status of SEZs in Andhra Pradesh with respect to number of formal approvals and also notified SEZs.
2. To examine the District-wise and product group-wise distribution of SEZs formally approved for Andhra Pradesh
3. To examine the Area of SEZs given formal approval in Andhra Pradesh sector-wise.

III. Methodology

The present study is based on secondary data obtained from the websites. Especially from the reports of Union Department of Commerce.

Status of SEZs in Andhra Pradesh – An Analysis

Coastal Andhra with all the nine districts covered with 28 SEZs (70%) and accounts for 8,891 hectares (82.5%) area. Rayalaseema with all the four districts covered with 12 SEZs (30%) and accounts for an area of 1884 hectares (17.5%). Table- 1 presents District-wise and product group-wise break up in Coastal Andhra and Rayalaseema regions and sreveals that the focus has been on the service sector, Information Technology in particular, which requires very little land per SEZ, and knowledge based product lines like bio-technology and pharma, the emphasis has been on manufacture. This includes six multi-product SEZs which account for 6,380 hectares area (59.2% of area of SEZs of the State). Manufacturing sector with large area is the specialty of the Coastal Andhra and Rayalaseema regions. Aluminum refining and products (9.5%), pharmaceuticals (5.5%), textiles and apparel (4.4%), multi-services (3.8%), Free Trade and Warehousing Zone (FTWZ) (2.2%), leather and footwear (2.2%), bio-technology (2.2%), and aero space and precision engineering, and aviation sector (2.0%). Out of 6 multi-product SEZs, sea-port-based is at Kakinada (East Godavari district).

Under each of these Ministries, apart from parks, 100% export oriented units (EOUs) are also functioning. Product-specific parks listed here focus on integrated utilisation of the produce from the farm to port approach for resources available in clusters of contiguous areas, apart from export promotion. World class infrastructure is provided in these parks. Incentives and facilities provided in SEZs go beyond the practices followed by the above mentioned export promotion industrial parks. The STPs are relatively closer to SEZs in many respects. The details given here have been taken from the latest Annual Reports of the respective Ministries accessed from their websites.

Table-1
Formally approved SEZs in Andhra Pradesh, District-wise with Sectoral Particulars (as on September 2020)

Region / District	No. of SEZs	Sector / Type of SEZ (No. of SEZs)	Area (in hectares)
1	2	3	4
Andhra Pradesh	40	13 out of 13 districts covered	10,775
Coastal Andhra Region	28(70%)	All nine districts covered	8891(82.5%)
Visakhapatnam	12(30%)	IT(6), Pharma(3),multi-product(1), textiles and apparel(1), aluminum refining(1)	3664.1(34%)
Vizianagaram	1(2.5%)	Alumina sector(1)	240(2.2%)
Srikakulam	1(2.5%)	Pharma(1)	110(1.1%)
East Godavari	3(7.5%)	IT(1), food processing(!), sea port-based multi-product(1)	1147.6(10.65%)
West Godavari	1(2.5%)	Writing and printing paper(1)	109.8(1.01%)
Krishna	2(5%)	IT(2)	37(0.35%)
Guntur	2(5%)	IT(2)	61.8(0.5%)
Prakasam	1(2.5%)	Building materials(1)	106.4(0.98%)
Nellore	5(12.5%)	Textiles and apparel(1), multi-product(3), leather(1)	3414.8(31.7%)
Rayalaseema	12(30%)	All four districts covered	1884(17.5%)
Anantapur	7(17.5%)	Bio-technology (3), textiles and apparel (1) FTWZ(1), multi-services(1) Aviation(1).	763.4(7.08%)
Chittoor	2(5%)	IT(1), multi-product(1)	1055.6(9.79%)
Kadapa	2(5%)	IT(1), bio-technology(1)	52.6(0.48%)
Kurnool	1(2.5%)	IT(1)	12.2(0.11%)

Notes:

1.Figures in parentheses in columns 2&4 indicate percentage to the respective totals for Andhra Pradesh in terms of number of SEZs formally approved for the State, and total area of these SEZs.

2. Figures in parentheses in column 3 indicate number of formally approved SEZs in each category in the district.

Source: Website on SEZs of Union Department of Commerce, www.sezindia.nic.in

And the other five are in Nellore (3), Chittoor (1) and Visakhapatnam (1) districts. Multi services SEZ is located in Anantapur district. Distribution of 14 IT SEZs district-wise is as follows: Visakhapatnam 6, 2 each in Krishna, and Guntur, and one each in Chittoor, Kurnool, Kadapa, and East Godavari. 4 bio-technology centres are distributed as follows: Anantapur 3, and Kadapa 1. Four pharma centres are located in Visakhapatnam 3, and Srikakulam one. 3 Textiles and apparel locations are one each in the districts of Visakhapatnam, Nellore, and Anantapur. Other prominent SEZ locations are as follows: leather at Tada in Nellore district, food processing at Kakinada (East Godavari), writing and printing paper at Kovvur (West Godavari), and one FTWZ location in the district of Anantapur.

Table-2
Area of SEZs given formal approval in Andhra Pradesh – Sector-wise (July 2018)

Sl.No.	Product group	Formal Approvals of SEZs	Area (in hectares)	Area (in %)
1	IT/ITES	14	651.92	6.1
2	Electronic hardware & Semi-Conductor	-	-	-
3	Bio-technology	4	237.4	2.2
4	Pharmaceuticals	4	590.2	5.5
5	Textiles & apparel	3	470.9	4.4
6	Multi-Product (including one airport-based & one sea-port-based)	6	6380.70	59.2

7	Aero space & precision engineering, and aviation sector	1	215.4	2.0
8	Agriculture & livestock products and related services	-	-	-
9	Aluminimum refining & products	2	1019.40	9.5
10	Building Products	1	106.4	1.0
11	Food processing	1	101.2	0.9
12	Leather and footwear	1	234.4	2.2
13	FTWZ /(Free Trade & Warehousing Zone)	1	241.7	2.2
14	Gems and Jewellery	-	-	-
15	Light engineering	-	-	-
16	Multi-services	1	415.6	3.8
17	Writing and Printing paper mill	1	109.8	1.0
	Total	40	10,775	100

Source: Website on SEZs of Union Department of Commerce, www.sezindia.nic.in

Sector–wise analysis of area of SEZs formally approved in Andhra Pradesh reveals as follows (Table 2): Multi-product SEZs constituting 59.2% of total SEZ area in the State are in seven locations as follows: Sri City in Chittoor district has become operational (1032 hectares); the others are in the districts of Visakhapatnam (2206 ha), Nellore (3 locations of 1023, 1023, and 1032 ha), sea-port-based near Kakinada (East Godavari) (1036 ha). The IT/ITES sector occupies only 6.1% total area in 14 locations. Among IT SEZs, the area is generally in the range of 10-30 ha each. There are only eight locations beyond 30 hectares area each, the maximum being 202 ha for one, and 60 ha each for three, and the remaining four in the range of 30-50 ha. Each IT SEZ normally occupies a small area of 10-30 ha., very often, land already in possession of the company / government agency planning to expand its operations. Bio-technology is another area where land requirement is normally in the range of 10-30 ha. There are only two out of 4 locations, where the area is over 30 ha and goes up to 40 ha. For pharmaceuticals, the area is around 100 ha, with only one SEZ going up to 247 ha.

IV. Major Findings

1. Coastal Andhra with all the nine districts covered with 28 SEZs (70%) and accounts for 8,891 hectares (82.5%) area. Rayalaseema with all the four districts covered with 12 SEZs (30%) and accounts for an area of 1884 hectares (17.5%).
2. In both coastal Andhra and Rayalaseema regions the focus has been on the service sector, Information Technology in particular, which requires very little land per SEZ.
3. The IT sector occupies only 6.1% total area in 14 locations.
4. Multi-product SEZs constituting 59.2% of total SEZ area in the State.
5. The IT sector is dominating in the approval of total SEZs in the state. In total 40 approvals, 14 SEZs are established in IT sector. This is 35% of total SEZ approvals.
6. Out of 40 approvals, only 6 SEZs are approved as Multi Product SEZs. Although Multi-product SEZs are occupying more percentage in area wise, only 15% approvals are given to Multi-product SEZs.

V. Suggestions:

1) The government in order to have an equitable distribution of SEZs must take appropriate measures to establish SEZs in all the districts of the state of Andhra Pradesh. This will improve the infrastructure and connectivity of the regions and bring about a balanced regional development. Setting up of SEZs in underdeveloped regions should be encouraged.
2) This study finally suggest that the union and state governments should take necessary steps to give various monetary and non-monetary benefits, subsides, direct and indirect tax holiday for setting new SEZs in other than IT sector and other few leading sectors.
3) Further, the government should promote the development of SEZs in other sectors. It should require approving less number of SEZs in IT/ITES sector, and giving proper representation to other categories of SEZs in the Indian economy.
4) One significant observation is that the Multi-product SEZs can offer more employment opportunities in the manufacturing sector. As the share of employment in manufacturing employment is very low in India, it is recommended to establish more number of multi product SEZs. It is suggested that in order to increase the share of SEZs in manufacturing employment, SEZs approvals in manufacturing sector should be more.
5) It is well known that the exports tend to increase the export competitiveness of an economy. Hence, the government should go ahead with establishing more and more number of such SEZs which would help to further strengthen the competitiveness of the Indian economy.
6) It is suggested that the government should encourage the development of SEZs by foreign investors.

VI. Conclusion:

As SEZs can play a vital role in the development of foreign trade and in improving the trade balance of the economy, it is highly recommended to establish more number of SEZs in the state. It is also recommended to approve more number of SEZs not only in the service sector but also in the manufacturing sector. The state of Andhra Pradesh has lot of potential for the development of manufacturing sector as it has large coastal line and well developed ports. So the development of manufacturing SEZs create more employment opportunities in the manufacturing sector of the state. The journey of SEZs in Andhra Pradesh has not been without hurdles, challenges such as land acquisition, regulatory complexities, and sustainability concerns have surfaced potentially impacting the long term viability and effectiveness of these zones. While SEZs have showcased their ability to drive economic progress, addressing these challenges remains crucial for sustaining their positive impact.

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