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Special Economic Zones and its Impact on India's Export

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Abstract

The potential for international trade is enormous due to rising demand and population growth. Countries have begun exporting their excess goods generated to meet the limitless and urgent needs of the specific population through international trade and commodities in a different nation. Our goal in this research is to create a tenuous connection between India's overall exports and exports from special economic zones. The findings of this study will show that SEZ exports and India's overall exports have a positive correlation. A Special Economic Zone (SEZ) is a region that is managed and operated under government supervision since exports are essential to bringing foreign monies into a nation. There will be the required infrastructure and contemporary conveniences in Special Economic zones that support and encourage businesses to participate in global markets. SEZs were designed to boost exports and create jobs, draw in foreign direct investment, and improve our nation's infrastructure. In less developed nations, SEZs also promote growth and development. SEZs offer substantial employment and investment opportunities. The nation has been a well-liked location for foreign investors in addition to domestic private companies. In order to support such goals for the county's total economic development, citizens must be politically and socially conscious.

Keywords: Special Economic Zones, Export Performance, SEZ Export Contribution.

Introduction

In May 2005, Parliament enacted the Special Economic Zones Act 2005, which was signed into law by the President on June 23, 2005. SEZs in India functioned in accordance with Foreign Trade Policy restrictions from November 1, 2000 to February 9, 2006. THE EXIM According to the Policy Statement for 2004-2009, SEZs could be developed in the private, joint, or public sectors at the request of state governments to boost exports in a hassle-free and globally competitive environment. The basic purposes of the SEZ Act are to: (a) increase economic activity; (b) encourage the export of goods and services; (c) attract both domestic and foreign investment; (d) provide job opportunities; and (e) construct infrastructure. The People's Republic of China introduced the idea of Special Economic Zones (SEZs) to the international community in 1970 as a way to draw in managerial experience, finance, and technology. Specially designated duty-free enclaves that are considered foreign territory for the purposes of trade operations, duties, and tariffs are known as special economic zones (SEZs). Roads, airports, transportation networks, telecommunications, hospitals, hotels, power generation and distribution, and the building of commercial and industrial complexes are all included in SEZs. The concept of free zones initially emerged in India during the 1960s. In 1965, India established the first Export Processing Zone (EPZ) in Asia, in the Kandla Free Trade Zone in Gujarat. Later, six more EPZs were formed in Maharashtra, West Bengal, Andhra Pradesh, Kerala, Tamil Nadu, Uttar Pradesh, and Bengal. Parliament passed the Special Economic Zones Act in May 2005. This Act, which introduced a single window clearance system, took effect in February 2006. The following highlights some of the SEZs' important characteristics:

1. A designated duty-free enclave that will only be subject to trade activities, duties, and tariffs as a foreign territory.
2. Imports do not require a license.
3. Activities related to manufacturing, trading, and services are permitted.
4. Complete autonomy in subcontracting.



5. Customs officials do not regularly inspect goods that is imported or exported.
6. Within three years, SEZ units must generate positive net foreign exchange earnings.
7. Domestic sales are subject to the current import policy and full customs duty.

The three-tier administrative structure that oversees the zone's operation under the SEZ model is as follows: 1) The Secretary of the Department of Commerce leads the Board of Approval, which is the highest authority. 2) The zonal level approval committee unit that deals with permission of SEZ units and other associated matters. 3) A Development Commissioner leads each zone and serves as the chairman of the Unit Approval Committee. The involved State Government receives the Developer's request for the creation of a Special Economic Zone within 45 days of receiving the proposal, the State Government must send it to the Board of Approval along with its recommendation. Additionally, the applicant has the option to send the proposal straight to the Board of Approval. The Central Government established the Board of Approval, which consists of 19 members, in utilization of the authority granted by the SEZ Act. The Board of Approval makes all of its judgments by consensus. The Chairman of this Board is the Secretary of the Department of Commerce.

Principle approval, formal approval, and notification are the three steps in the approval process for setting SEZs.

Principle Approval: When the developer does not own the land, the proposal to establish a Special Economic Zone is deemed to have received principle approval.

Formal approval occurs when the developer has the land and other required The processes are finished. Every request for creating a Special Economic Zone is examined for official approval by a board and then by the ministers with the most authority.

Notification: Notification is the SEZ's final Approval. It enables the developers to begin operations for the SEZ's development and the subsequent unit setup.

SEZs can be established by any private, public, joint sector, state government, or its agencies, as well as international businesses. In India, SEZs can be classified into four categories: Multi-Product SEZs, Sector-Specific SEZs, IT/ITES, Gems & Jewelry, and Biotech SEZs, and Free Trade Warehousing Zones. For the first five years, SEZ units receive a 100% tax exemption on export revenue; for the following five years, they receive a 50% exemption.

Five years, with half of the export profit being reinvested for the following five years. The units are also free from central sales tax, service tax, and minimal alternate tax. A triple bonus for SEZs is

promised by the Proposed National Investment and Manufacturing Zones (NIMZS): simpler land access, flexible labor laws, and various concessions put forth by the Development of Industrial Policy and Promotion (DIPP).

The Research Problem:

The Indian government has implemented tax reforms through a number of incentives and liberalized export regulations in order to compete in the worldwide market. The launch of Special Economic Zone. One of the key tools for enhancing India's involvement in international trade is the Economic Zone. SEZs are crucial for the host nation's ability to locate possible buyers on the global market and generate foreign exchange profits. Zones are also anticipated to create a favorable environment for export promotion, infrastructure development, technology transfer, foreign direct investment, and job creation in the coming centuries. Therefore, it is important to investigate how the Special Economic Zone influences India's exports.

Literature Review: The researcher has read numerous books about SEZs in India, government reports, national and international magazines, and a few PhD theses on the subject. The works examined below are identical to those listed below.

Aggarwal (2004) examined the export results of Indian EPZs from the beginning. The growth rates of aggregate exports, foreign exchange profits and employment indicated a steep jump when new EPZs were founded in the early eighties. Over the past 20 years, there has been a relatively modest increase in the percentage of EPZ exports to total exports. This is related to the rising trend in electronics exports.

Viswanadhan (2006) examined how well SEZs in India performed in terms of exports. According to the author's analysis, the total exports from the EPZs that were designated as SEZs following the SEZ Act for the 2004–05 fiscal year was Rs. 18300 crore. SEZs accounted for nearly 45% of all exports.

Govilkar (2008) According to the study, the SEZ policy was adopted and put into effect with the intention of encouraging the private sector to build adequate and high-quality infrastructure, drawing significant foreign investment, creating more job opportunities, increasing exports, and ultimately boosting the nation's economic activity.

The industrial islands might develop into a growth engine. Given the growing worldwide export potential, India needs to make extra efforts to increase its share in global market. **Sampat (2008)** examined various positions in the political scheme of SEZs in India. The number of approved and proposed SEZs, their land requirements, and their potential for employment and exports are all

detailed in a factsheet on SEZs available on the Government of India website.

Reddy (2009) According to the report, the SEZ program has received overwhelmingly positive feedback, as evidenced by the increase in investment, job creation, and exports performance and drew foreign direct investment to the nation. According to the study's findings, SEZs are actual growth engines for the nation's economy.

Objectives of the Study:

The main objectives of the study are –

1. To review the concept of Special Economic Zones (SEZ).
2. To analyze the impact of Special Economic Zones in India's export.

Methodology: Secondary data were utilized to examine the impact of SEZs on India's export, investment, and employment generation since 2006.

Limitations of the Study:- The study is limited to period from 2006-06 to 2023 -24.

Special Economic Zones in India: An Overview:

Particulars	Relevant Information
SEZs Policy announced	April 2000
SEZs Act passed by the parliament	May 2005
SEZs Act become operational	February 2006
No. of SEZs Operational/Exporting	280
No. of IT based SEZs	169
No. of Multi product SEZs	25
No. of other specific SEZs	79
* Total Employment (As on 30th Sept 2023)	29,84,677 persons
* Total Investment (As on 30th Sept, 2023)	Rs.6,69,980 Cr
No. of units in the SEZs	5713

Source: Compiled from sources.

There are currently 280 SEZs operating or exporting, of which 169 are IT-based, 25 are multi-product, and 79 are other sector-specific. There are 5713 units operating in the SEZs overall.

Special Economic Zones Exports and India's Total Exports Data Analysis And Discussion:

Exports from Special Economic Zones (SEZs), India's total exports, and This section looks at the export performance of SEZs in India. SEZ exports by year and its percentage of India's total exports are among the metrics utilized for this. In the years 2005–06 to 2023–24, both SEZ and Indian exports grew significantly.

Year-Wise Amount of SEZs Exports and Total Exports:

Year	Value of India's Total Exports (Rs. in Crores)	Growth Rate over previous year (%)	Value of SEZ Exports (Rs. in Crores)	Growth Rate over previous year (%)	SEZ export as % share of total India's exports (%)
2005-06	4,56,418	-	22,840	-	5.00
2006-07	5,71,779	25.3	34,615	52	6.05
2007-08	6,55,864	14.7	66,638	93	10.16
2008-09	8,40,755	28.2	99,689	50	11.85
2009-10	8,45,534	0.6	2,20,711	121.40	26.10
2010-11	11,36,964	34.5	3,15,868	43.11	27.78
2011-12	14,65,959	28.9	3,64,478	15.39	24.86
2012-13	16,34,319	11.5	4,76,159	31	29.13
2013-14	19,05,011	16.6	4,94,077	4	25.93
2014-15	18,96,348	-0.5	4,63,770	-6.13	24.45
2015-16	17,16,384	-9.5	4,67,337	0.77	27.22
2016-17	18,49,434	7.8	5,23,637	12.05	28.31
2017-18	19,56,515	5.8	5,81,033	11	29.69
2018-19	23,07,726	18.0	7,01,179	21	30.38

2019-20	22,19,854	-3.8	7,96,669	13.62	35.88
2020-21	21,59,043	-2.7	7,59,524	- 4.66	35.17
2021-22	31,47,021	45.8	9,90,747	30	31.48
2022-23	36,21,550	15.1	12,63,578	28	34.89
2023-24(P)	36,19,292	-0.1	13,55,220	7	37.44

The growth rate of India's total exports from 2005–06 to 2023–24 is displayed in the above table. From 4,56,418 crores in 2005–06 to Rs 36,19,292 crores in 2023–24, India's total exports have grown. Despite the fact that exports decreased in 2014–15 2015–16, 2019–20, and 2020–21 have seen an increase in the following years. Over the time frame, the growth was 7.92 times. The growth percentage over the prior year throughout the study period ranges from -9.45 percent to 45.8 percent. The year 2021–2022 saw the highest growth rate, recording 45.8%. In 2015–16, the negative growth rate was recorded at -9.5 percent. India is growing annually, with the exception of 2014–15, 2015–16, 2019–20, and 2020–21. Exports from SEZs have grown by 59.33 times over the study period, from Rs 22,840 Crores in 2005–06 to Rs.13,55,220 Crores in 2023–24. While studying, The range of the growth percentage from the previous year is - 6.13 percent to 121.40 percent. In 2009–10, the greatest growth rate was recorded at 121.40 percent. During 2014–15, a negative growth rate of -6.13 percent was noted. Additionally, the proportion of SEZ exports to India's overall exports has grown significantly, rising from 5.00 percent in 2005–06 to 37.44 percent in 2023–24.

The study's findings are as follows:

- The fact that India's overall exports have been trending upward for the first half of the study period (i.e., nine years) is a very positive indication. The second-half trend of total exports of the time has displayed a varying pattern. During that time, the rise was 7.92 times.
- The study's startling revelation is that the nation's overall export revenue climbed from Rs 4,56,418 crores in 2005–06 to Rs 36,19,292 crores in 2023–24.
- India's Special Economic Zone exports increased from Rs 22,840 crores in 2005–06 to Rs 13,55,220 crores in 2023–24 over the study period.
- The share of SEZ exports in India's total exports has also expanded dramatically, from 5.00 percent in 2005-06 to 37.44 percent in 2023-24.

Recommendations: The following actions could be taken to address these issues and improve the efficacy of the SEZs program:

1. The SEZ campus should have adequate infrastructural services, such as power, water, transportation, and communication.

2. To ensure the success of SEZ programs, a conducive and well-balanced policy environment should be made available.
3. When choosing a site for SEZs, developed, fertile, and irrigated agricultural land should be avoided.
4. The strategic significance of the product and the region's development requirements should be considered before approving it.
5. By providing the essential and fundamental infrastructure, the SEZ developers should be incentivized to establish SEZs in underdeveloped regions of the nation.
6. Efforts should be made to attract foreign investment into SEZs for the construction of roads, telecommunications, power, and housing.

Conclusion:

SEZs were designed to boost exports, create jobs, attract foreign direct investment, and develop our country's infrastructure. SEZs help poor countries grow and flourish. The potential for employment and investment in SEZs is significant. Aside from indigenous private corporations, the country has been a favored destination for foreign investment. People must be politically and socially conscious in order to support such policies that benefit the country's overall economic development.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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