

# Perplexity of Export, Employment and Expenditure MSME -Vs- SEZ A Comparative Study on Creation of Employment Opportunities in India

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**Abstract:** *Achievement of any economic policy depends on not only in planning but also the implementation. The sauce for the goose is not always the sauce for the gander. Developing economy like India, has to analyze the feasibility of policy before implementing it. The current study throws light on how India can generate more employment opportunities with the minimum cost per employment. The present study compares the performance of both Micro, Small and Medium Entrepreneurship policy (MSME) with Special Economic Zone (SEZ) Policy in the context of employment generation. The employment as one of the main economic indicator of both economic development and economic growth, this comparative study will provide better idea about the role of Small and Medium scale Entrepreneurship in India.*

**Index terms:** MSME, SEZ, FDI, Employment, Investment, Export

## I.INTRODUCTION:

The legislation of MSME, the Micro Small and Medium Enterprises Development Act 2006, was enacted with vision of promoting micro, small and medium enterprises (MSMEs) in order to create more employment opportunities. The main advantage of MSME are creating more employment opportunity at a relatively lower capital cost than the large scale industries, facilitating industrialization in rural areas, improvement in backward areas and provision for better standard living which tends to reach equitable distribution of national income. In the same period, the policy of Special Economic Zone was also enacted with prime objective to enhance Foreign Investment and employment generation as one of the main objective along with the export promotion. Here also more employment opportunities have been generated.

The current study imparts a comparative view of two government policies in the context of generation of employment opportunities. Even through the purpose of these policies are different, the common factor is employment generation and which is considered to be the major criterion for the economic development as unemployment is the main cause of economic inequality?

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## II.METHODOLOGY

The methodology of the present research envisages that the factor employment generation is the prime stream of the study. As the study compares the two public policies related with common cause of employment generation, various secondary data are used. The period of comparison was 2006-07 to 2017-18.

## III.OBJECTIVES

1. To analyze the performance of Special Economics Zones in India
2. To analyze the performance of Medium, Small and Microenterprises
3. To Compare the level of employment generation in SEZ and MSME

## IV.RESEARCH PROBLEM

Unemployment is an economic evil which is considered to be root cause of all the economic problems. The research problem of the current study is while comparing with other public policies, whether, MSME is generating more employment opportunities?

## V.CHAPTERS

Chapter one initiates the basic idea about the research. Chapter two describes the objectives and the research problem of current research. Third chapter enlists the review of literature. Fourth chapter describes the performance of SEZ in India. Fifth chapter envisages the performance of MSME and last chapter infers the facts of employment scenario in India with the comparison of MSME with SEZ and concludes the results and suggestions of the study.

## VI.REVIEW OF LITERATURE

There are many research studies, relating to MSME employment generation and SEZ performance. But this is the first research article comparing MSME with SEZ.

In their study, mentioned that While comparing, the large scale enterprises have employed only around 28.9millions [1]. It is to be noted that the enterprises of Micro Small and Medium (M.S.M.E) has high potential

than the current capacity to manage the structural problems like regional imbalances, unequal distribution of national income and wealth along with unemployment problem. M.S.M.E has witness that it has the relative advantage over the cost and of course both the forward and backward linkages when compared to the rest of the sectors. Hence, M.S.M.Es are playing dominant role in creating employment opportunities and backbone for the success of “Make in India” movement.

In their research expressed that the intensification of Special Economic Zones in India relating to exports, expenditure (investment) and creation of employment opportunities is exceptional since SEZ Act 2005 came into effect[2]. Though SEZs are concentrated in many states and sectors, it is extended all over the country and innumerossectors. The scope of employment generation and balanced regional development is limited because of the preference given in specific region and sectors. The foreign trade and Indian SEZs together are increasing the share in the overall export of the country.

In her research study coined that the primary survey based information was collected through interviewing Developers and laborers across the three major Special Economic Zones both in employment and export contribution in MEPZ/SEZ SEEPZ, and Noida [3]. The study disclosed that in India, ‘creation of employment opportunities ‘take the lead to gain the importance as canal through which SEZs provide themselves to human development factors.

In this review article, mentioned that the critical point this study seek to facilitate the expansion of huge employment generating SEZs to add more employment creation in the country, the following two aspects are to answered. First, an equal spread of regional SEZs are needed to achieve balanced regional development[4]. Secondly, the prerequisite of SEZ is to encourage industrialized, agricultural based and lesser skilled based units in SEZs in order to provide employment opportunities the low-skilled workers of the population and those with secondary level education can get the opportunity of employment.

The research paper surveyed the contribution done by MSME relating to development of Entrepreneurship and creation of employment opportunities in selected states of NEI (North-East of India)[5]. The study infers the MSME has made a significant contrition on entrepreneurship development but it fails to create the expected employment generation as it fails to absorb the semi-skilled and unskilled migrated labor force from agriculture and other backwards areas of NEI.

In their dissertation, pointed out that there are four basic problems in employment scenario of Indian Economy such as problem of unemployment, problem of under employment, problem of labour proportion and problem of labor productivity [6].

**VII.PERFORMANCE OF SEZ**

The scenario of Asian Economies have witnessed that development transition has happened in the biosphere through the initiation and expansion of Special Economic Zones. After the success of Shenzhen SEZ of China, India

induced to adopt SEZ policy in order to improve the major economic factors like investment, infrastructure, export, foreign exchange and employment etc.As on 31 July 2018, there are 420 formal approval of SEZ units, 355 notified SEZs in addition to 7 Central Government SEZs and 11 State/Private SEZs and 32 In-Principle approvals. As on 31 March 2018, 223 operational SEZs and nearly 5146 SEZs are approved SEZs.In this study, the current state of Indian Special Economic Zones is expressed under three heading[7].

**VIII.SEZ INVESTMENT**

The SEZ policy has witnessed that there is a tremendous growth in investment especially from the SEZ units notified by SEZ act. Table 1 exhibits the investment growth of Special Economic Zone from February 2006. During the initial stages of SEZ policy the major SEZs of Central government owned has performed with moderate growth. After realizing the power of PPP mode, the Government of India invite the both domestic and foreign entrepreneurs to invest in special economic zones which provides the tax holidays and other benefits to the investors. The incremental investment through notified SEZ has reached nearly 4.4 lakh crores during the period 2006 to 2018. But the state and private SEZ and Central owned SEZ have received only 11,259 crores and 16,599.12 crores respectively[8].

The present study tries to analyze the proportion of investment with the employment generation for the post implementation period of SEZ Act and policy. Before comparing the investment with employment level, it is better to compare the investment proportion between the Central government SEZs, State/Private SEZs with SEZ notified SEZs.

Fig 1 shows the outstanding performance of Notified SEZs during the period 2006-2018. The thrust area of the SEZ is whether this level of investment has reciprocated the expected level of employment generation and the export. For this purpose the employment generation and export performance of the same period 2006 to 2018 are analyzed with the respective Central owned SEZs, State/private SEZs and Notified SEZs. Table 1 represents the incremental Investment on SEZ during 2006-2018 and it is diagrammatically represented in fig. 1

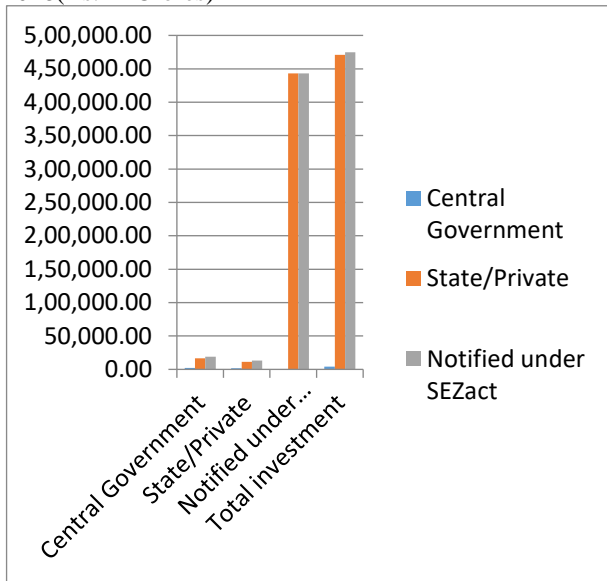
**Table 1: Incremental Investment on SEZ during 2006-2018**

Investment	SEZs Union Government	SEZs before 2006(State /Private)	notified SEZs under SEZ Act	TOTAL
Investment As on Feb. 2006	Rs.2,279.20cr.	Rs.1,756.31cr.	--	Rs.4,035.51 cr.
Incremental Investment (2006-2018)	Rs.16,599.12 cr.	Rs.11,259.00 cr.	Rs.4,43,023.73 cr.	Rs.4,70,881.86 cr.
Total Investment As on March 2018	Rs.18,878.32 cr.	Rs.13,015.31cr.	Rs.4,43,023.73 cr.	Rs.4,74,917.37 cr.

Source: Factsheet, Ministry of Commerce and Industry (MCI), India

The incremental investment in SEZ shows a significant growth as far the Notified SEZ is concerned. The question is whether this level of investment has created the expected level of employment and export.

Fig.1 Incremental Investment on SEZ during 2006-2018(Rs. In Crores)



### IX. SEZ EMPLOYMENT

The employment generation through Special economic zones during the period 2006-2018 has the positive growth but whether it reaches the required level of employment is subject to discussion because of the investment employment ratio. Table 2 and fig 2 depict the incremental employment during the period 2006-2018

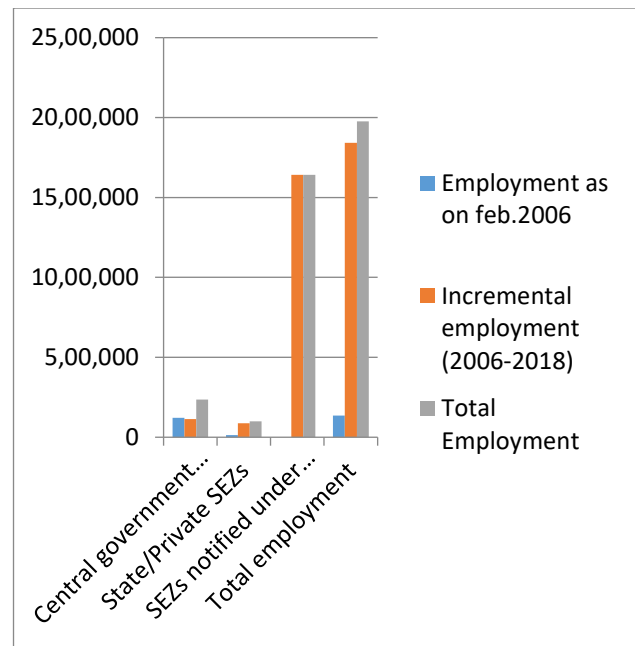
Table 2

Incremental Employment on SEZ during 2006-2018

Employment	SEZs Union Government	SEZs before 2006 (State/Private)	notified SEZs under SEZ Act	TOTAL Employment
Employment As on Feb. 2006	1,22,235 persons	12,468 persons	NIL	1,34,705 persons
Incremental Employment (2006-2018)	1,14,035 persons	86,571 persons	16,41,906 persons	18,42,512 persons
Total Employment As on March 2018	2,36,271 persons	99,039 persons	16,41,906 persons	19,77,216 persons

Source: Factsheet, Ministry of commerce and industry, India

Fig.2 Incremental employment on SEZ during 2006-2018 (no. of persons)



### X. SEZ EXPORT

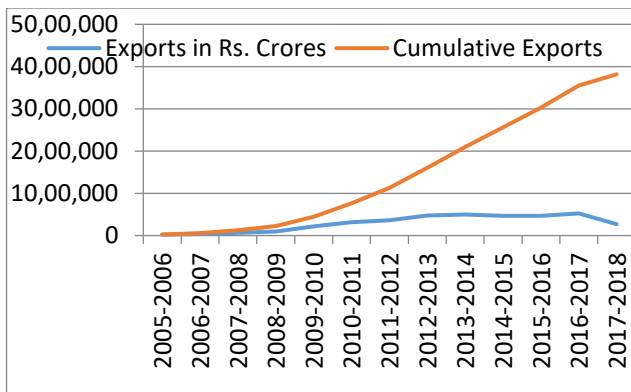
The export performance of Special Economic Zones has witnessed a remarkable growth since 2006. However, the growth rate differs from year to year due to various economic and political issues. During 2007-08 and 2009-10, the incremental growth rate of export reached 93 percent and 121.4 percent respectively. The rest of the years, the incremental growth rate ranges up to 52 percent exceptionally negative growth during 2014-15. Table 3 represents the growth rate of export over previous years from 2006 to 2018.

Table 3. Incremental export during 2006-2018

Time period	Exports		Growth above previous year (INR)
	Value in INR Crores	Cumulative	
2005-2006	22,840	22,840	
2006-2007	34,615	57,455	52%
2007-2008	66,638	1,24,093	93%
2008-2009	99,689	2,23,782	50%
2009-2010	2,20,711	4,44,493	121.40%
2010-2011	3,15,868	7,60,361	43.11%
2011-2012	3,64,478	11,24,839	15.39%
2012-2013	4,76,159	16,00,998	31%
2013-2014	4,94,077	20,95,075	4%
2014-2015	4,63,770	25,58,845	-6.13%
2015-2016	4,67,337	30,26,182	0.77%
2016-2017	5,23,637	35,49,819	12.05%
2017-2018	2,66,773	38,16,592	13.39%

Source : Ministry of Industry and commerce, GOI.

Fig.3. Incremental export during 2006-2018 (Rs.in crores)



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