

## EVALUATION OF SPECIAL ECONOMIC ZONE RELATED CHALLENGES AND OPPORTUNITIES IN EXPORT AND IMPORT

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### ABSTRACT

*The world has now evolved into a single global market, making it imperative for companies to excel in international trade. Special Economic Zones (SEZs) have emerged as crucial tools for countries to attract foreign investment, enhance export-oriented growth, and foster employment opportunities. SEZs offer tax benefits and preferential treatments to units operating within their confines. This study seeks to assess the challenges and opportunities related to international trade for SEZ companies. It conducts a survey to gather insights from various stakeholders, including employees, logistics partners, and customs housing agents of SEZ companies, regarding international trade operations within SEZs. A questionnaire is administered to collect opinions on the challenges and opportunities in international trade within SEZs. The gathered data is then analyzed and interpreted to offer valuable suggestions for SEZ companies. While SEZ units are presented with numerous opportunities for achieving rapid and sustainable growth, they also encounter specific challenges and constraints. These challenges may encompass documentation hurdles, stringent customs regulations, coordination with customs departments, and management of logistics and supply chain operations. The objective of the study is to assist companies in managing SEZ-related challenges effectively within the MEPZ (Make in India Economic Zone) while capitalizing on opportunities for balanced and sustainable growth.*

**KEYWORDS:** MEPZ, SEZ, Challenges, Opportunities.

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### Introduction

The Special Economic Zones (SEZs) serve as designated areas established to optimize the growth of international trade. They are specific regions within a country that operate under distinct regulations and receive preferential treatment aimed at fostering trade and commerce. This study, titled "Assessment of SEZ Challenges and Opportunities in Export and Import Operations for SEZ Companies," seeks to identify and comprehend the effects of various factors on the international trade operations of SEZ companies.

SEZs are designed to stimulate economic growth by offering tax incentives, streamlined customs procedures, and robust infrastructural support. The Government of India has set up several SEZs across the nation to promote sustainable economic development. The inaugural Special Economic Zone in India was founded in 1965 in Kandla. The Special Economic Zones Act was enacted in 2005 to regulate and ensure the smooth functioning of SEZs.

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The focus of this study is on a specific entity, SEZ Companies, operating within the Madras Export Processing Zone (MEPZ) in Chennai. It encounters various SEZ-related challenges, including intricate customs clearance processes, documentation issues, and the ever-evolving regulatory landscape. However, SEZ Companies also benefits from growth opportunities such as preferential treatment, tax breaks, and simplified export procedures. This research endeavor seeks to gain a comprehensive understanding of these challenges and opportunities while providing insights to facilitate informed decision-making.

SEZ Companies specializes in the production of fragrances and perfumes, a sector with significant export potential. The primary objective of this study is to maximize exports by leveraging SEZ benefits while effectively addressing SEZ-specific challenges.

### **Need for Study**

The study titled "Evaluation of Special Economic Zones related challenges and opportunities in Export and Import for SEZ companies" is important due to the increasing importance of Special Economic Zones in facilitating international trade. SEZ companies is an entity which is into the business of manufacturing fragrances and perfumes. Perfume industry is an industry which has a huge scope for international trade and hence it becomes necessary for SEZ companies to make fullest use of the SEZ benefits while eliminating the challenges associated with it. SEZs play a significant role in promoting exports by offering various incentives such as tax exemptions, simplifies customs clearance procedures, and streamlined procedures. Hence, understanding the challenges and opportunities become essential for SEZ companies to capitalize the benefits offered by SEZ. This study will focus on the impact of export procedures, tariff regulations, and documentation requirements, preferential treatments, tax incentives etc unique to SEZs, which enables SEZ companies to optimize its export strategies and make better decisions.

SEZ companies relies on international suppliers for sourcing its raw materials like fragrance oils, alcohol etc. This study aims to gain a comprehensive understanding of the difficulties faced by SEZ companies in importing materials and help them in addressing these challenges while using the SEZ benefits for achieving better supply chain efficiency. This study aims to provide insights to SEZ companies which will enhance their decision making processes and help them in achieving core competence.

### **Objectives of the Study**

The study aims to achieve the following objectives:

- Evaluate the challenges and opportunities related to Special Economic Zones (SEZs) in export and import operations for SEZ companies.
- Identify specific challenges in international trade unique to SEZs, including communication and coordination with customs authorities, customs clearance procedures, documentation requirements, etc., which may impact the performance of SEZ companies.
- Identify export and import opportunities within SEZs that can enhance the efficiency of SEZ companies in international trade.
- Provide valuable insights to SEZ companies to aid in their decision-making process.

### **Review of Literature**

In "Special Economic Zones and Developmental Disparities in India: A Critical Appraisal." by Ghosh.S (2018), the author examines the Special Economic Zones in India and their impact on India's economic growth and development. This study evaluates the efficiency of Special Economic Zone policies in addressing various issues like regional imbalances, unavailability of critical resources etc. This study acknowledges the positive contributions made by Special Economic Zones, in promoting commercial, industrial and economic growth. This study also highlights the difficulties in establishment and regulation of Special Economic Zones which may hinder the elimination of developmental disparities in India.

"Economic Reforms, FDI, and Economic Growth in India: A Sector Level Analysis." by Chakraborty, A., & Nunnenkamp, P. (2008) performs a detailed evaluation of the relationship between economic reforms, Foreign Direct Investment, and economic growth at the sector level in India. This study talks about the rise of Foreign Direct Investments post reforms and their effects on sector level growth. This study highlights how different sectors responded to the reforms and Foreign Direct

Investments as the way in which a sector would respond might differ from others. This study highlights how Special Economic Zones have been instrumental in promoting economic growth by way of encouraging Foreign Direct Investments.

Das, D., & Ghosh, S. (2013). "Special Economic Zones in India: Are They Export-Led Growth Engines?" evaluates the Special Economic Zones in India by questioning whether they are export-led growth engines. This study performs a detailed empirical research on SEZ policies and their impact on industrial growth and export oriented growth. It identifies and evaluates factors that influence the success of Special Economic Zones and the challenges that affect them. This study serves as a guide to researchers and scholars which helps them to understand the impact made by Special Economic Zones in an economy like India.

In "India: The Emerging Giant" by PanagariyaA, the author studies the development of India from a struggling post-colonial economy to a fast growing economy. The author clearly tracks the various stages of development of the Indian economy. He also studies the various challenges faced by the Indian economy and the steps taken to address those challenges. This study also clearly states the opportunities that are available to the Indian economy and also provide suggestions on what can be done to make fullest use of these opportunities.

Das, D., & Ghosh, S. (2010). "Impact of Special Economic Zones on Employment, Poverty and Human Development in India: Some Empirical Evidence." examines the impact of Special Economic Zones on Employment, Poverty and Human Development in India. The authors conduct an empirical study on the positive impact made by Special Economic Zones in socio-economic and human development within the country. The study highlights how instrumental Special Economic Zones are in creation of job opportunities and in alleviation of poverty. It also provides suggestions on making fullest use of the potential of Special Economic Zones to achieve better human development.

#### **Scope of the Study**

The scope of this study is comprehensive, encompassing various facets of international trade operations within Special Economic Zones (SEZs), particularly focusing on SEZ companies. It examines the challenges and opportunities in both export and import activities, considering the unique regulatory environment of SEZs. The study aims to elucidate how the rules and regulations specific to Special Economic Zones impact the international trade operations of SEZ companies.

To gain a holistic understanding, the study incorporates the perspectives of diverse stakeholders associated with SEZ companies, including employees, logistics and supply chain partners, and customs housing agents. By soliciting input from these stakeholders, the study seeks to pinpoint areas where improvements can be made, thereby enhancing the overall efficiency of international trade operations within SEZs.

#### **Limitations of the Study**

The study is confined to examining the challenges and opportunities in international trade specifically within the Madras Export Processing Zone (MEPZ) Special Economic Zone. It focuses solely on the existing companies operating within this particular SEZ, limiting the generalizability of its findings to other SEZs or industries.

It should be noted that the study operates under the assumption that the information provided by the respondents is accurate and impartial. However, the reliability of the data collected may be subject to the honesty and transparency of the participants.

Furthermore, the study acknowledges certain limitations, such as the lack of universal access to key information and the difficulty in engaging professionals due to their demanding schedules. These constraints may have influenced the breadth and depth of the research findings, potentially affecting the comprehensiveness of the analysis.

#### **Research Methodology**

**Research Design:** Descriptive Research:

**Sampling Techniques:** Convenience Sampling

**Sources of Data:** Primary Data

**Instrument:** Questionnaire

**Sample Size:** 50

### Statistical Techniques

- Percentage Analysis
- ANOVA
- Correlation Analysis
- Chi-Square Test

### Analysis and Interpretation

- **Opinion on the statement “Documentation procedures are the major challenges in exporting and importing from SEZs:**

#### Opinion on Documentation Challenge

Factors	Frequency	Percentage
Strongly agree	16	32
Agree	19	38
Neutral	11	22
Disagree	4	8
Strongly disagree	0	0
<b>Total</b>	<b>50</b>	<b>100</b>

#### Inference

From the table 1.0, it is inferred that 32% of the respondents strongly agree, 38% of the respondents agree, 22% of the respondents are neutral, 8% of the respondents disagree and 0% of the employees strongly disagree to the statement “Documentation procedures are the major challenges in importing and exporting from SEZ”

- **Analysis of variance on experience level of respondents and their opinion documentation procedures as a major challenge:**

**H<sub>0</sub>:** There is no significant difference in the opinions on documentation challenges within SEZs among respondents based on their experience in international trade operations.

**H<sub>1</sub>:** There is a significant difference in the opinions on documentation challenges within SEZs among respondents based on their experience in international trade operations.

**Significance Level**       $\alpha = 0.05$

Equal variances were assumed for the analysis.

Summary				
Groups	Count	Sum	Average	Variance
Experience	50	109	2.18	1.21184
opinion on documentation as a challenge	50	197	3.94	0.87388

ANOVA					
Source of Variation	Adj SS	Df	Adj MS	F	P-value
Between groups	2.344	1	0.7814	0.89	0.454
Within groups	40.476	98	0.8799		
<b>Total</b>	<b>42.82</b>	<b>99</b>			

#### Inference

The p-value is 0.454 which is greater than the significance level  $\alpha = 0.05$ . Hence, we accept the Null Hypothesis. It is concluded that there is no significant difference in the opinions on documentation challenges within SEZs among respondents based on their experience in international trade operations.

- **Spearman’s rank Correlation on effectiveness of preferential treatment given to SEZ units and the competitive advantage gained by SEZ companies through engaging in international trade operations from SEZs.**

**H<sub>0</sub>:** There is no significant correlation between the effectiveness of preferential treatment given to SEZ units and the competitive advantage gained by SEZ companies through engaging in international trade operations from SEZs.

**H<sub>1</sub>:** There is a significant correlation between the effectiveness of preferential treatment given to SEZ units and the competitive advantage gained by SEZ companies through engaging in international trade operations from SEZs.

		Effectiveness of Preferential treatment given to SEZ units	Competitive Advantage
Effectiveness of Preferential treatment given to SEZ units	Spearman's rho	1.000	.425
	Sig. (2-tailed)		<.002
	N	50	50
Competitive Advantage	Spearman's rho	.425	1.000
	Sig. (2-tailed)	<.002	
	N	50	50

Spearman's rank correlation= 0.425

### Inference

The correlation coefficient of 0.425 indicates a moderate positive relationship between the two variables. It is concluded that there is a moderate positive correlation between the effectiveness of preferential treatment given to SEZ units and the competitive advantage gained by SEZ companies through engaging in international trade operations from SEZs.

- **Chi-Square test between the level of education of the respondents and their opinion on infrastructure support available within SEZ.**

**H<sub>0</sub>:** There is no significant association between the level of education of the respondents and their opinion on infrastructure support available within SEZ.

**H<sub>1</sub>:** There is a significant association between the level of education of the respondents and their opinion on infrastructure support available within SEZ.

Significance level  $\alpha = 0.05$

Equal variances were assumed for the analysis

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.768 <sup>a</sup>	9	.292
Likelihood Ratio	8.653	9	.470
Linear-by-Linear Association	.007	1	.934
N of Valid Cases	50		

Chi-square p-value is 0.292

### Inference

The p-value of 0.292 is greater than the significance level of 0.05. Hence, we accept the null hypothesis. It is concluded that there is no significant association between the level of education of the respondents and their opinion on infrastructure support available within SEZ.

### Findings

SEZ companies's workforce is predominantly divided between production/operations (40%) and sales/marketing (36%) roles. The remaining employees are engaged in supply chain/logistics (14%) and customs housing (10%). The company has a youthful demographic, with 40% of employees under 25 years old. Educational qualifications vary, with 50% holding a Bachelor's Degree, 28% having a Master's Degree, 18% possessing a High School Diploma, and 4% holding a Doctorate/Professional Degree. In terms of experience, 38% have less than 1 year in international trade within the SEZ, while others have varying levels of experience. Communication with the customs department is challenging for 56%, and most employees do not perceive geopolitical factors as significantly impacting trade operations. Satisfaction levels are high regarding employee awareness, government support, and financing facilities. However, documentation procedures remain a challenge, and perceptions of customs clearance efficiency vary. Infrastructure and SEZ regulations are generally viewed favorably. While training programs are considered good, there's room for improvement. Overall, government support, transparency, and competition play crucial roles in SEZ companies's competitive advantage within the SEZ.

### Suggestions

The recommendations for SEZ companies's international trade operations within SEZs include streamlining documentation processes, leveraging competitive advantages, promoting transparency in trade operations, customizing training programs based on experience levels, maximizing preferential treatment benefits from SEZs, monitoring geopolitical factors, ensuring regulatory compliance, promoting employee awareness about SEZ advantages, assessing educational gaps for efficiency improvements, and collaborating with industry peers for knowledge-sharing and best practices. These strategies aim to address the challenges identified and also to capitalize on opportunities that are available for SEZ companies.

### Conclusion

In conclusion, this study highlights the challenges and opportunities in trade within the MEPZ Special Economic Zone. Despite limitations, valuable insights were gleaned, guiding future strategies for enhanced trade efficiency. Its inferred that its recommendations for SEZ companies' international trade operations encompass streamlining documentation, leveraging competitive advantages, promoting transparency, training, maximizing benefits, monitoring geopolitics, ensuring compliance, promoting awareness, addressing educational gaps, and fostering industry collaboration for enhanced efficiency and growth.

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