

# Critical Analysis of Stakeholders' Perspective towards Special Economic Zones in the State of Haryana

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## ABSTRACT

*In this paper, the focus is on measuring and analyzing the perception of various stakeholders in the state of Haryana towards varied dimensions of SEZs. Twelve factors have been identified by Elaborate Content Analysis and later on with the application of CFA (Confirmatory Factor Analysis), a data reduction technique with which statements/ variables/ indicators have been reduced to 12 constructs/factors/latent variables for further analysis. These 12 constructs have been statistically confirmed. Afterwards, Descriptive Statistics have been calculated for each indicator/statement of all confirmed constructs to measure stakeholders' perception towards pre- and post-establishment of SEZs.*

## 1. Introduction

Special Economic Zones have been identified and recognized as a significant device to promote trade, investment, exports, employment generation, infrastructure, regional development and foreign trade competitiveness. These are considered as key drivers to growth in the emerging countries. The history of SEZs is decades old, but have come to center of global economic scenario recently due to LPG (Liberalization, Privatization and Globalization). The term 'special zone' was first coined in 1896 when an industrial park was established in Manchester. In post-second world war era, the term "free trade zones", was first conceptualized in Hong Kong and then borrowed and operationalised in other economies of the world. A peculiar form of these named as export processing zone (EPZ) was operationalised in Ireland in 1960. After attaining political independence, India promulgated its first Industrial Policy Resolution (IPR) 1948 in which special mention had been given to EPZs. To translate the concept of EPZ /SEZ into reality, the first EPZ (SEZ) was established in Kandla in 1965.

## 2. What is Special Economic Zone?

Special Economic Zone means the region that has a different trade and business laws as compare to country side. It can be said that SEZs provide more free-market-oriented economic and other laws than that of rest of the world. In SEZs, zones like Free Trade Zones (FTZ), Export Processing Zones (EPZ), Free Zones (FZ), Industrial Parks or Industrial Estates (IE), Free Ports, Free Economic Zones and Urban

Enterprise Zones (UEZs) are embraced. In short, the organisation which provides special trade benefits like tax holidays to those firms who wish to setup in that zone is known as SEZs.

## 3. Research Objective

1. To study the perception of stakeholders' in the State of Haryana towards Special Economic Zones

## 4. Research Methodology

### Sample Design:

The sample design for the present research has been developed by focusing on these dimensions: Universe and population; Sample Unit; Sample Size; Area of Study; and Sample Techniques.

### Universe and Population:

All Special Economic Zones of India and all stakeholders constitute the universe of the study and the target population comprised of all the Special Economic Zones and all stakeholders associated with Special Economic Zones in Haryana.

### Sample Unit:

Stakeholders of top four Special Economic Zones were selected on the basis of their land holding pattern in Haryana state to achieve the objectives of the present study.

Table 1: Sampling units of the present study

Sr. No.	Name of the developer	Location	Districts	Type of SEZs	Area in hectares
1	Dr. Fresh Healthcare Private Limited	Gurgaon/Gurugram, Haryana	Gurgaon/ Gurugram, Haryana	IT/ ITES	25.27
2	ASF Insignia SEZ Private Limited	Gurgaon/Gurugram, Haryana	Gurgaon/ Gurugram, Haryana	IT/ ITES	19.30
3	DLF Limited	Village Silokhera, Tehsil and District Gurgaon/Gurugram	Gurgaon/ Gurugram,	IT/ ITES	14.97

		(Haryana)	Haryana		
4	Unitech Realty Industries Limited	Village Tikri, Tehsil District, Gurgaon/Gurugram, Haryana	Gurgaon/Gurugram, Haryana	IT/ITES	10.89

Source: <http://sezindia.nic.in/>

## 5. Area of Study

The present study is based on the information obtained through a survey in Haryana. The data was collected from 638 respondents but on account of incomplete information 98 questionnaires were not found worth analysing. So, final number of respondents comes to 540, which has been fed and analysed. The purposive sampling technique has been used by fixing equal quota for all sampled SEZs that is 135 respondents from each selected SEZ.

## 6. Data Analysis and Interpretation

In this paper, the focus is on measuring and analyzing the perception of various stakeholders in the state of Haryana towards varied dimensions of SEZs. Twelve factors have been identified by Elaborate Content Analysis and later on with the application of CFA (Confirmatory Factor Analysis), a data

reduction technique with which statements/variables/indicators have been reduced to 12 constructs/factors/latent variables for further analysis. These 12 constructs have been statistically confirmed. Afterwards, Descriptive Statistics have been calculated for each indicator/statement of all confirmed constructs to measure stakeholders' perception towards pre- and post-establishment of SEZs.

On the basis of Descriptive Statistics (Mean score), the perception of stakeholders toward SEZs with reference to following confirmed factors has been studied. A\_Mean score of more than 3.0 is reflective of positive perception and less than 3.0 is revelatory of negative perception. B\_Mean and A\_Mean respectively represent stakeholders' score of perception about pre- and post-establishment of SEZs.

**Table 2: Mean Scores to measure perception of stakeholders towards SEZs**

Statements	Before Formation of SEZ	After Formation of SEZ
	MEAN	MEAN
Government usually takes decision in time as regards acquisition of land for SEZ.	2.81	2.79
One job one family principle is strictly followed.	2.87	2.89
Government policies protect interests of local residents.	2.91	2.92
Government policies protect interests of entrepreneurs.	2.96	2.93
<b>Government Policies</b>	<b>2.89</b>	<b>2.88</b>
The politicians take positive interest in SEZ related activities.	1.85	1.79
The political involvement creates public interest towards SEZ.	1.87	1.83
Political interference ensures timely compensation for land acquisition.	1.89	1.87
Politicians positively contribute towards timely completion of SEZ.	1.82	1.76
<b>Political Interference/Involvement</b>	<b>1.86</b>	<b>1.81</b>
Timely and adequately compensation to land owners is made.	3.5	3.44
Procedure regarding payment of compensation is simple and proper.	3.49	3.41
Royalty as foam of compensation is being regularly paid.	3.07	3.22
Residential plot as a part of compensation is properly allotted.	3.19	3.29
<b>Compensation</b>	<b>3.31</b>	<b>3.34</b>
Manufacturer enjoys easy availability of cheap raw material and labour.	2.98	2.94
Low priced land motivates entrepreneur to commence new ventures in SEZ.	3.04	2.91
SEZ facilitates proper supply of water and electricity.	2.56	2.42
It leads to tax benefits to industrialists.	2.95	2.93
<b>Locational Benefits</b>	<b>2.88</b>	<b>2.80</b>
It boosts self employment opportunities.	3.4	2.29
It provides niche for start-ups.	3.19	2.45
It provides ample opportunities of employment for women.	3.27	2.27
It provides ample employment opportunities for skilled labour.	3.3	2.26
It provides ample employment opportunities for unskilled labour.	3.26	2.24
<b>Employment Generation</b>	<b>3.28</b>	<b>2.30</b>
It strengthens the Road and Railway network of the area.	2.02	2.01

It strengthens the drinking water and public health facilities.	1.95	1.91
It leads to development of Banking and Insurance sector in the area.	2.0	1.97
It leads to development of Postal services, Tele-Communication and Internet connectivity in the area.	2.01	1.94
<b>Infrastructure</b>	<b>2.00</b>	<b>1.96</b>
It contributes toward setting up of educational institutions in the area.	2.22	2.05
It facilitates education to girls and depressed classes of society.	1.96	1.85
It affects positively the literacy rate among local residents.	2.17	2.11
It contributes towards training and skill development programmes in the area.	2.04	1.92
<b>Education</b>	<b>2.10</b>	<b>1.98</b>
It does not contribute towards increase in crime rate.	4.03	4.02
It does not contribute towards alcoholism and drug addiction.	3.95	3.94
It does not disturb the social fabric of the area.	3.98	3.93
It does not negatively affect the institution of joint family in the area.	4.06	3.97
<b>Social Aspects</b>	<b>4.01</b>	<b>3.97</b>
SEZ does not contribute towards deforesting.	2.22	3.9
SEZ does not contribute towards Water and Soil pollution.	2.21	4.12
SEZ does not contribute towards Air and Noise pollution.	2.21	4.05
Availability of non-fertile land leads to formation of SEZ.	1.87	3.89
<b>Environmental</b>	<b>2.12</b>	<b>3.99</b>
It leads to increase in living standard.	3.40	3.47
It promotes decline in migration rate.	3.55	3.56
It leads to equitable growth of all classes of people.	3.35	3.43
It leads to the modernization of the rural areas.	3.55	3.57
<b>Eco- Political Issues</b>	<b>3.46</b>	<b>3.51</b>
It promotes health care facilities in the area.	2.52	3.56
It has overall improved the life expectancy of the area.	2.52	3.9
It does not contribute towards deterioration in health of locals.	2.47	3.64
It improves the implementation of the social preventive medicine programmes in the area.	2.47	3.58
<b>Health</b>	<b>2.49</b>	<b>3.67</b>
SEZ leads to Import substitutions	3.11	2.83
It provides competitive international platform for Exports.	3	2.72
It provides competitive edge in Exports.	3	2.77
It has created Export friendly environment.	3.14	2.93
<b>Foreign Trade</b>	<b>3.06</b>	<b>2.81</b>

Source: Primary data analyzed through SPSS Statistics 21

### (1)- Government Policies:

Aggregate Mean score reveals that before formation of SEZs, stakeholders held adverse perception about Government Policies regarding SEZ (Mean=2.89). Even after formation of SEZs, stakeholders hold almost the same perception. (Mean=2.88). Stakeholders disagreed that government usually takes decision in time for acquiring land for SEZs (B\_Mean=2.81 and A\_Mean=2.79) and government policies protect interests of local residents (B\_Mean=2.91 and A\_Mean=2.92) & of entrepreneurs (B\_Mean=2.96 and A\_Mean=2.93). They also disagreed about one job one family principle (B\_Mean 2.87 and A\_Mean=2.89). It reveals that government policies are not effective to safeguard the interests of various stakeholders.

*The Mean scores posit the need for implementing the government policies in right spirit and also underscore that there should not be any gap between the doing and saying of the government.*

### (2)-Political Interference/Involvement:

As far as Political Interference/Involvement is concerned, stakeholders hold almost similar adverse perception before and after formation of SEZs (B\_Mean 1.86 and A\_Mean 1.81). They disagreed that political involvement creates public interest towards SEZs (B\_Mean=1.87 & A\_Mean=1.83) and that it ensures timely compensation for land acquisition (B\_Mean=1.89 & A\_Mean=1.87). They also disagreed that politicians take positive interest in SEZs related activities (B\_Mean=1.85 & A\_Mean=1.79) and positively contribute towards timely completion of SEZs (B\_Mean=1.82 &

A\_Mean=1.76). It can be inferred that the political involvement/interference is perceived to be completely lacking in commitment to social goals.

*Politicians must be sensitive to the needs, desires and aspirations of the people who constitute the major chunk of stakeholders in SEZs.*

### **(3)-Compensation Policy:**

High Mean score reveals that stakeholders agreed that timely and adequate compensation to land owners is made. They also agreed that procedure regarding payment of compensation is simple and proper; royalty as form of compensation is being regularly paid and residential plot as a part of compensation is properly allotted. In nutshell, stakeholders' perception (before and after formation of SEZs) towards compensation policy is positive. It seems that due to intervention of the courts, more awareness towards financial compensation and vested interest of politicians induce governments to make adequate and timely financial compensation.

*It can be safely suggested that the compensation policy about SEZs must also take into consideration the interest of the landless population dependent upon the land acquired for SEZs.*

### **(4)-Locational Benefits:**

It is evident on the basis of low Mean score that the stakeholders gave negative responses to all the statements of 'Locational Benefits' before formation as well as after formation of SEZs and hold that manufacturers enjoy easy availability neither of cheap raw material nor of labour at affordable wages. Because only low priced land cannot motivate entrepreneurs to commence new ventures in SEZs as they need much more than that. This, in turn, affects the exchequer. Such locational benefits with these encumbrances also do not extend tax benefits to industrialists.

*Establishment of SEZs with purported Locational Benefits must be free from other encumbrances hampering the global competitiveness of business ventures.*

### **(5)-Employment Generation:**

High Mean scores reveal that before formation of SEZs, stakeholders believed that SEZs will boost self employment opportunities (Mean=3.4). But after formation of SEZ, they are disappointed (Mean= 2.29). High mean scores also display that before the formation of SEZs, stakeholders believed that SEZs would provide niche for start-ups (Mean=3.19); would provide ample opportunities of employment for women (Mean=3.27); will provide ample employment opportunities both for the skilled labour (Mean=3.3) and for the unskilled labour (Mean=3.26). While after the formation of SEZs, Stakeholders' perception takes a negative turn for all statements of employment generation. So, it is concluded that before the formation of SEZs, stakeholders expected more employment generation but after the formation of SEZs they are disappointed.

*The policy framework for the formation of the SEZs needs to be sensitized to a greater extent to positively respond to the aspirations of people about the employment generation capacity of SEZs.*

### **(6)-Infrastructure:**

Low Mean scores were found for all the statements about 'Infrastructure' before as well as after formation of SEZs. Stakeholders did not expect that SEZs would strengthen the road, railway network of the area, drinking water and public health facilities, development of Banking, Insurance sector, Postal services, Tele-Communication and Internet connectivity in the area. After formation of SEZs, stakeholders hold almost the same perception as they held before the formation of SEZs. The lack of infrastructure even after the formation of the SEZs suggests that SEZs are anything but SEZs in true sense in India—precisely one of the reasons for the failure of SEZs acting as agents of economic transformation in a big way.

*Theoretically speaking, people must be educated by the government about such macro-economic concepts like SEZs. So it is the responsibility of the economists and other interested parties to educate people about the other side, if need be.*

### **(7)-Education:**

Low Mean scores were found for all the statements of 'Education' both before and after the formation of SEZs. Before formation of SEZs, stakeholders did not expect that SEZs would contribute toward setting up educational institutions, training and skill development programmes in the area. They did not expect that SEZs would affect positively the literacy rate of the local residents and they believed that SEZs would not facilitate education to girls and depressed sections of society. It is also clear from the scores that after the formation of SEZs, stakeholders hold more adverse perception than their perception before the formation of SEZs. (Overall Mean scores before and after the formation of SEZs are 2.10 and 1.98 respectively).

*SEZs, as postulated in the philosophy of SEZ itself, must act as agent of social change on the one hand and create social assets beneficial to them in the long run.*

### **(8)-Social Aspects:**

High Mean scores were found for all the statements of 'Social Aspects' both before and after the formation of SEZs. Stakeholders expected and perceived positively towards all the statements and believed that SEZs do not contribute toward increase in crime rate, alcoholism and drug addiction. They also believed that SEZs do not disturb the social fabric of the area and do not negatively affect the institution of joint family in the area. (Overall Mean scores before and after the formation of SEZs are 4.01 and 3.97 respectively). Responses of the stakeholders seem to be indifferent to the addition of the outside population, pressure on the civic amenities and general crowding and degradation of the physical space – factors generally leading to social discords and increase in social aberrations.

Constant monitoring of various dimensions of the social life along with regular intervention of the accredited and approved social workers must be a part of the systemic structures of the SEZs.

#### **(9)-Environment:**

Low Mean scores for all the statements about environment before the formation of SEZs reveal that stakeholders believed that SEZs are harmful for it. On the other hand, high Mean scores for all the statements about it after the formation of SEZs reveal that stakeholders' perception has changed. They agreed that SEZs are not harmful for environment. They agreed that SEZs do not result in deforestation (Mean=3.9), towards water and soil pollution (Mean=4.12) and towards air and noise pollution (Mean=4.05).

All issues regarding impact of development on environment must be addressed properly, particularly, in view of the contemporary narratives of the ecologists and environmentalists.

#### **(10)-Eco-Political Issues:**

Before the formation of SEZs, stakeholders thought that SEZs would promote decline in migration rate (Mean=3.55); would lead to increase in living standard (Mean=3.4); equitable growth of all classes of people (3.35) and modernization of the rural areas (Mean=3.55). It can be concluded that before the formation of SEZs, stakeholders held positive perception towards all statements of 'Eco-Political Issues' of SEZs (Mean=3.46). After the formation of SEZs, high Mean score was found for all the statements about 'Eco-Political Issues'. Stakeholders hold positive perception towards all statements of 'Eco-Political Issues' of SEZs (Mean=3.51). It is clear that there is almost the same perception of stakeholders before and after the formation of SEZs with reference to Eco-Political Issues.

SEZs should be established and managed to set in motion an engine of equitable and sustainable growth of the surrounding region.

#### **(11)-Health:**

After the formation of SEZs, stakeholders' responses show that SEZs provide health care facilities in the area (Mean=3.56) and increase the life expectancy of the area (Mean=3.9). They also agreed that SEZs do not contribute towards deterioration in health of locals (Mean=3.64) and

improve the implementation of the social preventive medicine programmes in the area (Mean=3.58). Stakeholders, by and large, perceive positively all statements of 'Health' (Mean=3.67) after the formation of SEZs though their perceptions were negative before the formation of SEZs.

*Manufacturing and allied economic activities may impact the health of the population of the region which must be taken care of in the best possible manner through a comprehensive health care system.*

#### **(12)-Foreign Trade:**

Before the formation of SEZs, stakeholders agreed that SEZs would lead to import substitution (Mean=3.11), but after the formation of SEZs, stakeholders do not agree (Mean=2.83). Earlier, stakeholders neither agreed nor disagreed about SEZs being competitive platform for exports (Mean=3) or having competitive edge in exports (Mean=3). But after the formation of SEZs, stakeholders disagreed about competitive international platform for exports (Mean=2.72) and about competitive edge in exports (Mean=2.77). Before the formation of SEZs, stakeholders agreed that SEZs would create export-friendly environment (Mean=3.14), but after the formation of SEZs, stakeholders disagreed about it (Mean=2.93). It can be inferred that before the formation of SEZs, stakeholders were positive about foreign trade aspect of SEZs. On the contrary, after the formation of SEZs, stakeholders' perception has changed and they hold adverse perception about foreign trade aspect of SEZs.

*The manufacturing, other economic activities and all other dependent activities should aim at furthering the basic premise of SEZs, i.e. exports.*

## **7. Conclusion**

Due to economic slowdown, opposition by farmers against land acquisition, fall in flow of foreign investment are creating stumbling blocks in development and functioning of SEZs. These reasons motivated researcher to measure perception of stakeholders' towards varied dimensions of SEZs. The stakeholders do not have good opinion with regards to majority of dimensions. If policy makers want to have SEZs as growth engine, they must come forward with effective and pragmatic approach.

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