

Role Of Special Economic Zone In The Export Promotion Of Gems And Jewellery: A Comparative Study Of Gems And Jewellery Exports With Special Reference To SEZ Act 2005

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Abstract- Government of India has been instrumental in making various economic policies over the time to enhance trade and facilitate overall development of the country. One such policy was to introduce Special Economic Zones act in the year 2005 with the prime objective to boost the exports. However this policy has brought multi faceted impact varying with sectors and regions. This paper tries to examine the role of SEZs as an export promoter by comparing the gems and jewellery exports from India during the pre and post implementation phase of SEZ act 2005.

Keywords- special economic zones (SEZ), export promotion, export performance

I. INTRODUCTION

1.1 Concept of SEZ

An SEZ is a geographically demarcated region that has economic laws that are more liberal than the country's typical economic laws and where all the units therein have specific privileges. SEZs are specifically delineated duty-free enclaves and are deemed to be foreign territory for the purposes of trade operations, duties and tariffs.

The principal goal is to increase foreign investment. Through the introduction of SEZs, India also wants to enhance its somewhat dismal infrastructural requirements, which, once they have been improved, will invite even more foreign direct investment. Or put in the government's own words, the main objectives of the SEZs 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;
- Development of infrastructure facilities

Table 1.1: Export performance of operational SEZs in India (2005-2017) as on 30.09.2017

Years	Exports		Growth over previous year (INR)
	(Value in Rs. Crores)	(Billion USD)	
2005-2006	22,840	5.08	-
2006-2007	34,615	7.69	52%
2007-2008	66,638	14.81	93%
2008-2009	99,689	21.71	50%
2009-2010	2,20,711	46.54	121.40%
2010-2011	3,15,868	69.30	43.11%
2011-2012	3,64,478	76.01	15.39%
2012-2013	4,76,159	87.45	31%
2013-2014	4,94,077	81.67	4%
2014-2015	4,63,770	75.84	-6.13%
2015-2016	4,67,337	71.38	0.77%
2016-2017	5,23,637	78.07	12.05%

Source: Ministry of Commerce & Industry, Department of Commerce

The table 1.1 reveals that export performance of SEZ have shown satisfactory increase from the year 2005 to 2008. the year 2009-2010 shows a remarkable growth of 121.40% which can be a result of the recessionary conditions in the developed countries. But after 2010 there has been a constant decline in the export performance becoming as low as 0.77% and -6.13% in the year 2015-16 and 2014-15

respectively, therefore suggesting some kind of policy changes to the provisions of SEZ Act.

1.2 Overview of Gems and Jewellery sector in India

India has been, over the ages, the home of gems and jewellery. The country was the only source of diamonds for over 2000 years, until deposits were discovered in Brazil in 1760. Gems and jewellery is one of the fastest growing sectors in the Indian economy with an annual growth rate of approximately 15 per cent. The gems and jewellery industry accounts for nearly 20 per cent of the total Indian exports and employs over 1.3 million people, directly or indirectly. The Gems and Jewellery (G&J) market essentially comprises of sourcing, processing, manufacturing and selling of precious metals and gemstones, such as, Gold, Platinum, Silver, Diamond, Ruby, and Sapphire etc. The G&J market is a significant contributor to the Indian economy, based on the size of the domestic market and through its contribution to the country's exports. India is the largest consumer of gold (around 20 percent of global consumption) and also the largest diamond processor (around 90 percent by pieces and 55 percent by value of the global market).

Table 1.2: Export of gems and Jewellery

Year	Export of Gems & Jewellery (USD Billion)	% Share of Gems & Jewellery in India's total Export	Gold (USD Billion)	Diamond (USD Billion)
2008-09	24.49	15.56	8.61	14.80
2009-10	28.41	18.34	9.42	17.34
2010-11	42.99	17.40	12.88	28.25
2011-12	42.83	15.45	16.78	25.31
2012-13	39.05	14.37	18.28	17.41

Source: Gems and Jewellery Export Promotion Council

India was one of the first countries to start making fine jewellery from minerals and metals and even today, most of the jewellery made in India is hand made.

The industry is dominated by family jewelers, who constitute nearly 96 per cent of the market. The country at present has a small but growing organized sector.

Organized players such as Tata with its Tanishq brand, have, however, been growing steadily to carve a 4 per cent market share. India was the first country to introduce diamonds to the world, the first to mine, cut and polish them as well as trade them. The cutting and polishing of diamonds and other precious stones is one of the oldest traditions in India and the country has earned a considerable reputation

both in the domestic and international markets for its skills and creativity.

II. REVIEW OF LITERATURE

➤ Kumar A,(2017): A study of current status and performance of SEZs in India

This paper highlights that Special Economic Zones (SEZs) have been recognized as an important mechanism for trade and investment promotion, creation of infrastructure, employment generation, promotion of regional development, increase in foreign exchange earnings, improving export competitiveness and transfer of skills and technology. The Special Economic Zones Act, 2005, was passed by Parliament in May, 2005. After extensive consultations, the SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February, 2006, providing for drastic simplification of procedures and for single window clearance on matters relating to central as well as State Governments. After the promulgation of the act, SEZs in India

➤ Rafoof A,(2016):An Evaluation of Special Economic Zones (SEZs) Performance Post SEZs Act 2005

In this paper the performance of Indian SEZs in the post-SEZ Act era has been evaluated. It shows a tremendous increase in export, investment and employment. This paper is an attempt to study the performance of SEZ in India and its impact on India's export, investment and employment. In addition to this, the recent government initiatives in terms of privileges, tax exemptions, rebates, policy initiatives to improve the performance of SEZ are also addressed in this paper.

➤ Khurud B.S.,(2013):Export performance of SEZs in India

This article aimed at evaluating the impact of SEZs on Indian exports during 2000-01 to 2010-11. The study revealed that the overall exports performance of SEZs is satisfactory. However, SEZs wise, State wise and Sector wise achievement is not uniform. Indian SEZs today plagued with number of problems. The policy makers and government therefore should make sincere efforts to solve their problems.

➤ Malini Tantri (2011): Special Economic Zones in India: Are these Enclaves Efficient?

This paper, along with an analysis of the issue of efficiency of the SEZs within the framework of stochastic production frontier technique has tried to address the questions

raised regarding economic utility of SEZs. Although the efficiency scores of these enclaves have improved over the years, specifically with the introduction of the SEZ policy (2000-01), it is far below the threshold level as identified in the literature, thus, indicating a larger scope for improvement in efficiency of the existing enclaves of the seven conventional SEZs

III. OBJECTIVES AND DATA SOURCES

- To understand the concept of Special Economic Zones and their role in export promotion of Indian exports.
- To understand the current scenario of Gems and jewellery export in India.
- To compare the growth of gems and jewellery exports with respect to pre and post SEZ act 2005.

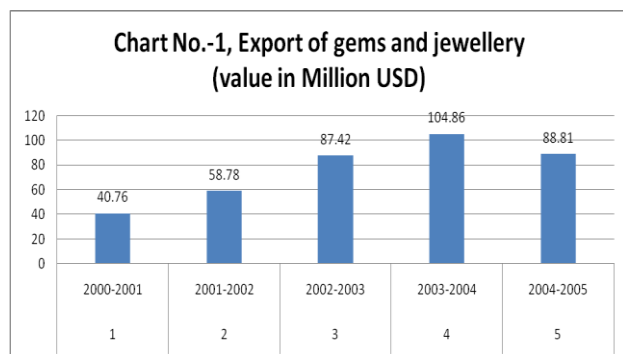
For the purpose of analyzing the role of Special Economic Zone in promoting the exports of gems and jewellery sector, the researcher has undertaken a comparative study. The year 2005 has been taken as the midpoint as the SEZ Act came into operation from 2005 onwards. The export data for 5 years from the pre SEZ Act period i.e. from 2000 to 2005 has been taken. In order to understand the impact of SEZ Act on the gems and jewellery sector the post SEZ Act period i.e. 2005 onwards has been considered.

IV. DATA ANALYSIS AND INTERPRETATIONS

Table 4.1 Export of gems and jewellery during 2000-2005(pre SEZ act)

S.no	Year	India's total exports (value in million USD)	Export of gems and jewellery (value in million USD)	percentage share(%)
1	2000-2001	44,560.29	40.76	0.0915
2	2001-2002	43,826.72	58.78	0.1341
3	2002-2003	52,719.43	87.42	0.1658
4	2003-2004	63,842.55	104.86	0.1642
5	2004-2005	83,535.94	88.81	0.1063

Source: Ministry of Commerce & Industry, Department of Commerce, Government of India



The table given above shows the export data for Gems and Jewellery for the period of 5 years beginning from 2000-2001 and ending at 2004-2005. It can be seen that the value of exports have continued to increase over this period of time where export value of gems and jewellery in the year 2000-2001 was USD 40.76 million, it became USD 88.81 million in 2004-2005.

It can also be noted that the percentage share of the export of gems and jewellery as a part of India's total exports have continued to increase during this period where the percentage share was only 0.915 % in 2000-2001 growing up to 0.1063 % in 2004-2005. However a slight decrease in the value of gems and jewellery export can be observed from 2003-2004 to 2004-2005.

The same can be deduced from the table given below.

Table 4.2 Export of gems and jewellery during 2000-2005(Growth over last year)

S.no	Year	India's total exports (value in million USD)	Export of gems and jewellery (value in million USD)	Growth over last year (value in %)
1	2000-2001	44,560.29	40.76	42.58
2	2001-2002	43,826.72	58.78	44.23
3	2002-2003	52,719.43	87.42	48.72
4	2003-2004	63,842.55	104.86	19.96
5	2004-2005	83,535.94	88.81	-15.51

Source: Ministry of Commerce & Industry, Department of Commerce, Government of India

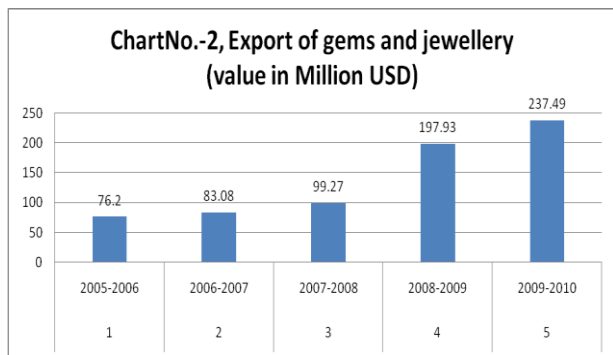
It can be seen that during the period 2000-2005 export values of gems and jewellery have changed considerably except for the year 2004-2005 which shows a decrease in the export activity of gems and jewellery

Table 4.3: Indian Exports of Gems and Jewellery in the post SEZ Act period(2005-2010)

S.No	Year	India's total exports (value in million USD)	Export of gems and jewellery (value in million USD)	Percentage share(in %)
1	2005-2006	103,090.53	76.2	0.0739
2	2006-2007	126,414.05	83.08	0.0657
3	2007-2008	163,132.18	99.27	0.0609
4	2008-2009	185,295.36	197.93	0.1068
5	2009-2010	178,751.43	237.49	0.1329

Source: Ministry of Commerce & Industry, Department of Commerce, Government of India

The table 4.3 given above shows the export data for Gems and Jewellery for the period of 5 years beginning from 2005-2006 and ending at 2009-2010. It can be seen that the value of exports have continued to increase over this period of time where export value of gems and jewellery in the year 2005-2006 was USD 76.2 million, it became USD 237.49 million in 2009-2010.



It can also be seen that the percentage share of the export of gems and jewellery as a part of India’s total exports have continued to increase during this period where the percentage share was only 0.0739% in 2005-2006 growing upto 0.1329 % in 2009-2010.

Table 4.4: Indian Exports of Gems and Jewellery in the post SEZ Act period(Growth over last year)

S.no	Year	India's total exports (value in USD)	Export of gems and jewellery (value in USD)	Growth over last year(value in %)
1	2005-2006	103,090.53	76.2	-14.19
2	2006-2007	126,414.05	83.08	9.02
3	2007-2008	163,132.18	99.27	19.5
4	2008-2009	185,295.36	197.93	99.37
5	2009-2010	178,751.43	237.49	19.99

Source: Ministry of Commerce & Industry, Department of Commerce, Government of India

Inference:

The difference between the percentage growth of gems and jewellery exports as a part of India ‘s total export for the period 2000-2005 is 0.015% while for the period 2005-2010 is 0.059 %.Thus we can say that the exports from India during the post implementation of SEZ Act period was more than the growth during the pre implementation period.

Table 4.5: AAGR and CAGR of Gems and Jewellery Exports during pre SEZ Act period(2000-2005)

S.NO	YEAR	India's total exports (value in million USD)	Export of gems and jewellery (value in million USD)	Growth over last year (value in %)	AAGR	CAGR
1	2000-2001	44,560.29	40.76	42.58	87.81%	-45.53%
2	2001-2002	43,826.72	58.78	44.23		
3	2002-2003	52,719.43	87.42	48.72		
4	2003-2004	63,842.55	104.86	19.96		
5	2004-2005	83,535.94	88.81	-15.31		

Source: Calculations are based on the data obtained from Ministry of Commerce & Industry, Department of Commerce, Government of India

From the table given above it can be seen that the annual average growth rate for the period 2000-2005 was

87.81 % which means that the value of exports have almost doubled from 40.76 million USD in the year 2000 to 88.81 million USD in 2005.However the compounded annual growth rate is negative 45.53% which means that the average growth rate of gems and jewellery exports was about 45.53% but due to the negative growth during the ending year i.e. 2004-20005 the value of CAGR is negative. Therefore it can be interpreted that the rate of growth of exports during the pre SEZ Act implementation period was quite slow.

Table 4.6: AAGR and CAGR of Gems and Jewellery Exports during post SEZ Act period-phase I(2005-2010)

S.NO	YEAR	India's total exports (value in million USD)	Export of gems and jewellery (value in million USD)	Growth over last year (value in %)	AAGR	CAGR
1	2005-2006	103,090.53	76.2	23.41	236.49%	-22.08%
2	2006-2007	126,414.05	83.08	22.62		
3	2007-2008	163,132.18	99.27	29.05		
4	2008-2009	185,295.36	197.93	13.59		
5	2009-2010	178,751.43	237.49	-3.53		

Source: Calculations are based on the data obtained from Ministry of Commerce & Industry, Department of Commerce, Government of India

The above table displays annual average growth rate and compound annual growth rate of gems and jewellery for the period immediately after the implementation of SEZ Act in 2005.The AAGR value for the 2005-2010 is 236.49 % which reveals that the value of gems and jewellery exports have drastically increased during this time. The value of exports at the beginning of this phase i.e. in 2005 being 76.3 million USD while the value of exports at the end of the phase i.e. in 2010 was 237.49 million USD.

However the CAGR value for this period was calculated to be negative 22.08% which reveals that the value of exports grew at an average rate of 22.08 % but since the value of exports during the last year in this phase i.e. 2009-2010 decreased as compared to its preceding year i.e. 2008-2009, the growth rate was negative in the the last year i.e. 2009-2010 (-3.53 %).Hence the value of CAGR indicates negative rate.

Inference:

On comparing the AAGR values for the period pertaining to pre SEZ Act and post SEZ Act phase - I ,it can be observed that the value of exports have increased tremendously in the later case as AAGR for 2000-2005 was 87.81% which is less than AAGR for 2005-2010 (236.49 %).However the CAGR values also reveal that the average value of exports of gems and jewellery was greater during the post implantation phase i.e. 2005-2010.

V. FINDINGS

1. It has been found that the value of gems and jewellery exports from India has increased at a slow rate during the pre SEZ act period whereas it was found to be enormous during the subsequent years after the introduction of SEZ Act.
2. The difference between the percentage growth of gems and jewellery exports as a part of India 's total export for the period 2000-2005 is 0.015% while for the period 2005-2010 is 0.059 %. Thus we can say that the exports from India during the post implementation of SEZ Act period was more than the growth during the pre implementation period.
3. The difference between the percentage growth of gems and jewellery exports for the period 2010-2015 is 0.55% which is almost equal to 0.59% for the period 2005-2010. Thus we can say that the growth of exports during the post implementation of SEZ Act period which was more than the growth during the pre implementation period continued in later years also.
4. The percentage share of gems and jewellery exports as a part of India 's total exports have continued to increase from 2000 to 2005 and 2005-2015.
5. Since the compounded annual growth rate is negative 45.53% for the period 2000-2005, it was found that the rate of growth of exports during the pre SEZ Act implementation period was quite slow.
6. It was found that the value of exports have increased tremendously in the phase I as AAGR for 2000-2005 was 87.81% which is less than AAGR for 2005-2010 (236.49 %).
7. It was found CAGR values for exports of gems and jewellery was greater during the post implementation phase i.e. 2005-2010.

VI. CONCLUSIONS

The research paper was targeted to study the effect of implementing SEZ act 2005 on the Indian gems and Jewellery sector. As far as the role of SEZ as an export promoter is concerned, it has been found that the implementation of SEZ Act brought about positive results for the gems and jewellery industry. The exports of gems and jewellery from India have not only increased in the post implementation period but it has kept on increasing till present time.

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