

Role Of Special Economic Zones (Sezs) In Boosting Global Competitiveness

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Abstract

Introduction: The basic goal of this research is to address the role of special economic zones in boosting global competitiveness. Therefore, as per this section, it has been addressed that, the motive for economic resilience focuses on the importance of creating a “special economic zone” and describes how SEZ intends to exhibit strong competitiveness globally. The Special Economic Zone, or SEZ, represents a region that has been assigned special socioeconomic laws and regulations inside a nation

Literature Review: Based on the research objectives, themes are created within this section, which helps to identify that, India and China have been two of the top ten recipients of FDI over the past 20 years, with the amount of FDI increasing somewhat more quickly in the post-reform era. Between 2008–09 and 2011–12, the forefront six states—Maharashtra, Delhi, Karnataka, Gujarat, TN, and AP—accounted for 70% of all foreign direct investment inflow

Methodology: In this study, the main quantitative approach was employed to do a quantitative analysis of the data that was gathered. This study has gathered truthful, real-time, and verified data that is unfounded.

Findings: SPSS software has been utilized in this study to assist with the statistical analysis of the data that was gathered. Thus, real-time data may be gathered by researchers using ten survey questions.

Discussion: As per this section, detailed knowledge about this study has been conducted. Factor that helps to boost the global economy also highlighted within this section.

Conclusion: Overall structure of the paper has been analyzed in this section. Moreover, this section helps to analyze the research objectives.

Keywords: “Global competitiveness, Special economic zone, Economic regulations, financial stability”

Introduction

Background of the Study

The proportion of emerging nations' merchandise exports to overall exports was 43% in 2015, up from 20% to 25% at the close of the preceding century. The majority of developing nations have witnessed a change in development strategies throughout the previous several decades of globalization, moving away from import-based strategies and towards export-promoting ones through the establishment of special economic zones (SEZs) inside their territorial limits. SEZs employ favourable government regulations to encourage private investment as well as economic expansion. Studies conducted in participating nations, particularly in East Asia, have shown that it could potentially serve as a beneficial tool to encourage industrialization (Nusratovich & Asidakhan, 2023). Between 2008–09 and 2011–12, the forefront six states—Maharashtra, Delhi, Karnataka, Gujarat, TN, and AP—accounted for 70% of all foreign direct investment inflow; alone, Maharashtra and Delhi contributed to more than 50% of this inflow (Alexandro & Basrowi, 2024).

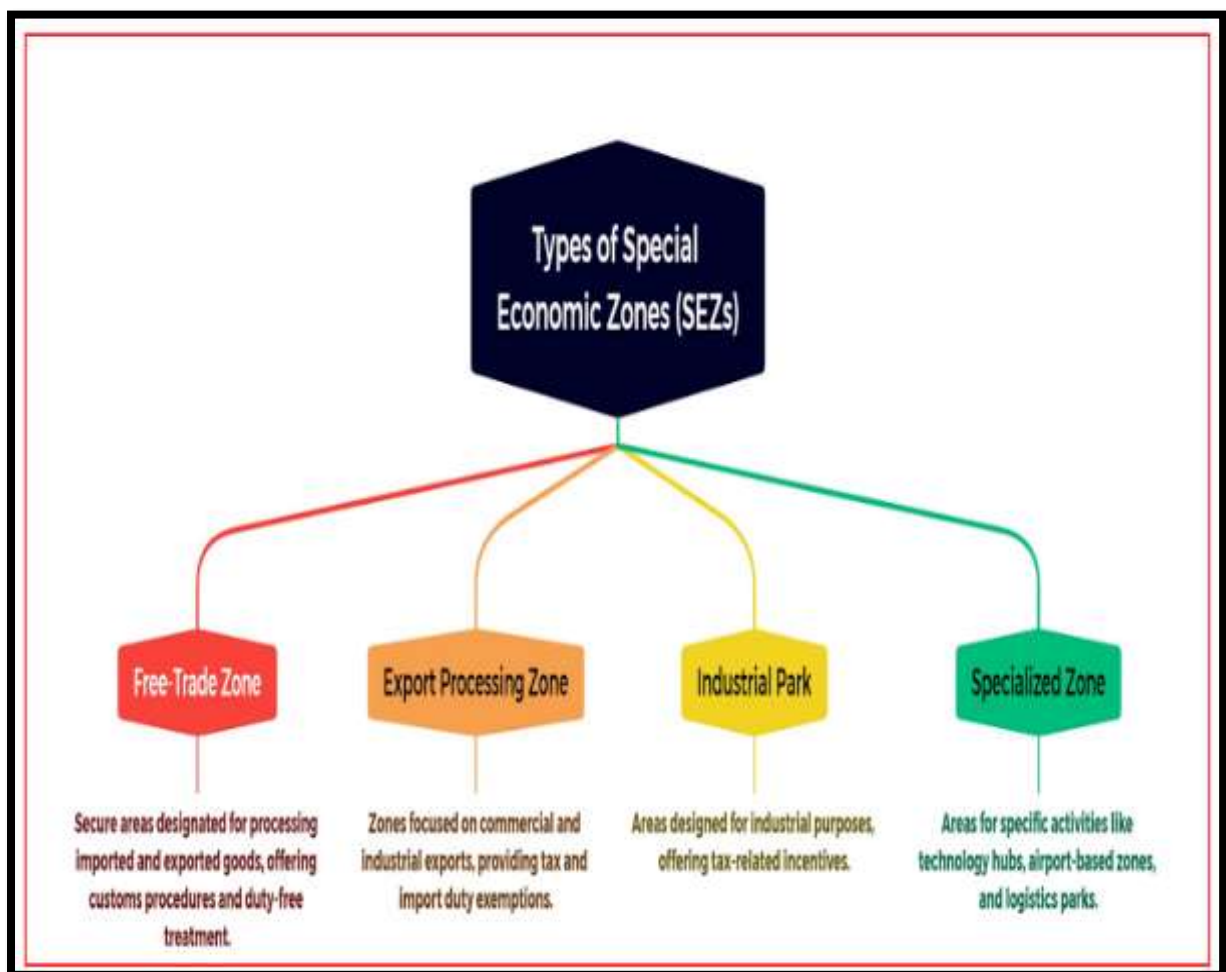


Figure 1: Types of Special Economic Zones

(Source: Rajabov & Mustafakulov, 2020)

Gujarat, despite being not one of the most competitive states in India for attracting foreign direct investment from 1991 to 2002, is the exception to the country's status as the recipient of greater FDI inflows. According to Nguyen & Tien (2021), many emerging nations have created clusters of manufacturing as a result of the advantages they provide in luring FDI and matching domestic funding. Utilizing tax advantages as a means of luring foreign capital through FDI and technical innovation, special economic zones achieve growth. SEZs have the potential to boost exports from both the implementing nation and those nations that provide it with intermediary goods.

Research Aim

The basic goal of this research is to address the role of special economic zones in boosting global competitiveness.

Research Objectives

- RO 1:** To discuss the importance of the special economic zones for global competitiveness
- RO 2:** To highlight the factors which have a significant impact on global competitiveness
- RO 3:** To address the role of the “special economic zone” in creating economic activity
- RO 4:** To analyze the negative effect of special economic zones

Research Questions

- RQ 1:** What is the importance of the special economic zones for global competitiveness?
- RQ 2:** Which factors have a significant impact on global competitiveness?
- RQ 3:** What is the role of the “special economic zone” to create economic activity?
- RQ 4:** What are the negative effects of special economic zones?

Hypothesis

- H1:** A relationship is highlighted between special economic zones and global competitiveness
- H2:** A positive correlation is fostered between special economic zones and economic activity
- H3:** A significant relationship has been addressed between special economic zones and employment

Literature Review

Critically discuss the importance of the special economic zones for global competitiveness

Over the past few decades, there has been a substantial transformation in the panorama of the world on manufacturing. Numerous developing nations, such as China, Turkey, and several Southeast Asian countries, have effectively integrated themselves into the international market and have grown to be significant hubs for the production process. The proportion of international trade along with foreign direct investment (FDI) that goes to developing nations is generally rising (Rodríguez-Pose et al., 2022). SEZs are a significant source of financial diversification, intellectual property transfer, development of skills, job possibilities, and industrial activity enhancement in the nation, based on international data. Several studies have revealed inconsistent outcomes from SEZs in various nations.

Export Performance of Select SEZs in India				
No.	Name of the Special Economic Zone	Exports (in INR)		
		2018-19	2019-20	2020-21
1	MEPZ SEZ	1,866 billion	16,188 billion	43,964 billion
2	Cochin SEZ	12,492 billion	74,206 billion	194,318 billion
3	Noida SEZ	13,587 billion	37,636 billion	65,505 billion
4	Kandla SEZ	514 million	48,821 billion	134,359 billion
5	Vishakhapatnam SEZ	2,728 billion	34,388 billion	99,928 billion
6	SEEPZ SEZ	2,565 billion	49,142 billion	149,664 billion
7	Falga SEZ	207.2 million	2,179 billion	6,406 billion
Total		33.96 billion	262.56 billion	694.15 billion

Figure 2: Export Performance of select SEZs in India
(Source: Oliinyk et al., 2021)

Different from the conventional import-substitution policy is represented by a zone. In 1959, Shannon, Ireland became the site of the first contemporary industrial SEZ. These zones were first created by East Asian and the South American areas in the 1970s, primarily as export processing zones (EPZs), with the goal of luring foreign direct investment into labor-intensive industrial industries to boost exports (Rodríguez-Pose et al., 2022). The majority of the goods (usually more than 80%) produced in export-protected zones (EPZs) are enclosed areas subject to stringent customs regulations. The majority of SEZ units give their employees on-the-job training. However, guidance is employer-driven, targeted, and has a limited shelf life.

Strengthening technical capabilities is aided by more than just technology transfers. Strong internal R&D capabilities are necessary for the assimilation and deployment of foreign technologies. Analyzing the R&D efforts conducted by the units is crucial. Excellent infrastructure, such as communication networks, utilities, and public transportation, is typically found in these areas, which improves effectiveness in operations (Rodríguez-Pose et al., 2022). The most prevalent type of technology transfer, especially outside the zone industry, is expressed technology transmission.

Discuss the importance of Special economic zone for financial developments



Figure 3: Benefits of special economic zones

(Source: Nusratovich & Asidakhan, 2023)

Foreign direct investment contributes significantly to globalization in a number of areas, including technology transfer, financial support, innovation, and improved monitoring. Under the automatic method, foreign direct investment as much as 100 percent may be used to establish a special economic zone. The Board of permission may grant permission when it is necessary for the Central Government. The developer should, however, make arrangements that his shareholding stays above 51%. The Unit Approval Committees may approve the following list of 66 particular services for service charge exemption as compulsory stipulated services, which is valid for SEZs nationwide. These services are all listed below and are eligible for service tax reductions.

In addition to lowering joblessness and raising standards of living, SEZs are granted the ability to give the local populace access to the economy, as stated by Pradhan et al. (2020). Upon examining the real-world employment impact of special economic zones (SEZs), it becomes evident that these entities have made a noteworthy contribution to the development of jobs in several nations. SEZs draw FDI focused on exports and encourage other kinds of cooperation between regional businesses and multinational corporations. According to Phonvisay et al. (2021), to help local SMEs (small and medium-sized firms) integrate into worldwide chains of value, for example, SEZs provide an environment that is conducive to investment. SEZ units engaging in global value chains face hurdles from low-cost competitors, global norms, and technological advancements. This encourages creativity and learning, two essential components of human growth. This education enhances their capacity for future learning. Using a mechanism known as the skill multiplier, skill secures better profits. Employees believe that working in SEZs has boosted their opportunities for employment outside the zone as well. In order to improve cooperation and spur economic growth, cluster formation has become an effective strategy in Special Economic Zones (SEZs), as mentioned by Bozhko, Turgel & Sapanova (2021). SEZs seem to have a limited impact on the

development of human capital. There's a chance that those areas have laxer labor and corporate laws, increasing productivity and competitiveness.

On the contrary, global safety is also threatened by inadequately managed Special Economic Zones (SEZs), particularly when it comes to the proliferation of weapons (Brussevich, 2024). SEZs promote corporate growth, innovation, infrastructure improvement, and ease of incorporation into the worldwide economy, all of which help to increase global competitiveness. In conclusion, it identifies SEZs as catalysts for economic development, advancing both regional and national progress. A region designated as a "special economic zone"(SEZ) has trade and commercial rules that differ from those of the rest of the nation. SEZs are found inside a nation's boundaries. Increasing trade balance, employment, investment, job creation, and efficient administration are among their goals.

Methodology

In this study, the main quantitative approach was employed to do a quantitative analysis of the data that was gathered. This study has gathered truthful, real-time, and verified data that is unfounded. Thus, it is necessary to discuss the significance of "social entrepreneurship" for the growth of the organisation with the backing of this quantitative technique. As a result, this data was gathered directly from sources, increasing the process's accuracy of data collecting (Brussevich, 2024). Following that, the act of gathering data provides current information that aids in the research process. The research philosophy of positivism has since been applied in this procedure, helping to increase the accuracy of the data that has been gathered. In a shorter amount of time, a greater variety of data has been gathered, which improves the process's structure. This data-gathering technique improves knowledge of the reliable source and contributes to the correctness of the research process.

SPSS software has been utilised in this study to assist with the statistical analysis of the data that was gathered (Bozhko, Turgel & Sapanova, 2021). Thus, real-time data may be gathered by researchers using ten survey questions. Additionally, data relevant to this study is gathered by researchers through statistical testing and demographic analysis. This study uses "descriptive analysis, model summary, ANOVA, coefficient, and correlation" tests to aid with the numerical analysis of the chosen data.

Findings

Demographic Test

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Age	100	1	4	2.57	1.075
Gender	100	1	3	2.11	.827
Income_Range	100	1	4	2.43	1.157
Valid N (listwise)	100				

Table 1: Descriptive Statistics
(Source: SPSS)

The age group mean value, according to the preceding data, is 2.57. Consequently, the mean value according to gender group is 2.11. The income range group's mean value is 2.43 after that.

Age

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	20	20.0	20.0	20.0
	2	28	28.0	28.0	48.0
	3	27	27.0	27.0	75.0
	4	25	25.0	25.0	100.0
	Total	100	100.0	100.0	

Table 2: Age

(Source: SPSS)

Table 2 helps to identify the age group of the respondents. As per this demographic test, the frequency of the participants is conducted which is based on their age group. For the 100 participants, the overall percentage of valid cards that fall into that age range or lower is shown. For the "2" age range, the cumulative proportion is 48% of the valid cards in age groups.

Gender

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	29	29.0	29.0	29.0
	2	31	31.0	31.0	60.0
	3	40	40.0	40.0	100.0
	Total	100	100.0	100.0	

Table 3: Gender

(Source: SPSS)

The total percentage of people who fall into that gender category or below is shown in the following table in the "Cumulative Percent" column. The "Percent" for every category up to the current category is calculated, and the total percentage for "Valid 2" is 60%. Stated differently, 60% of people are categorised as "Valid 1" or "Valid 2".

Income Rang

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1	29	29.0	29.0	29.0
2	24	24.0	24.0	53.0
3	22	22.0	22.0	75.0
4	25	25.0	25.0	100.0
Total	100	100.0	100.0	

Table 4: Income Range

(Source: SPSS)

As shown in the "Cumulative Percent" column, the total percentage of people is calculated by adding the "Percent" for each range up to the current range. The cumulative percentage for "Valid 2" indicates that 53% of people fall into either the "Valid 1" or "Valid 2" category.

Response Rate

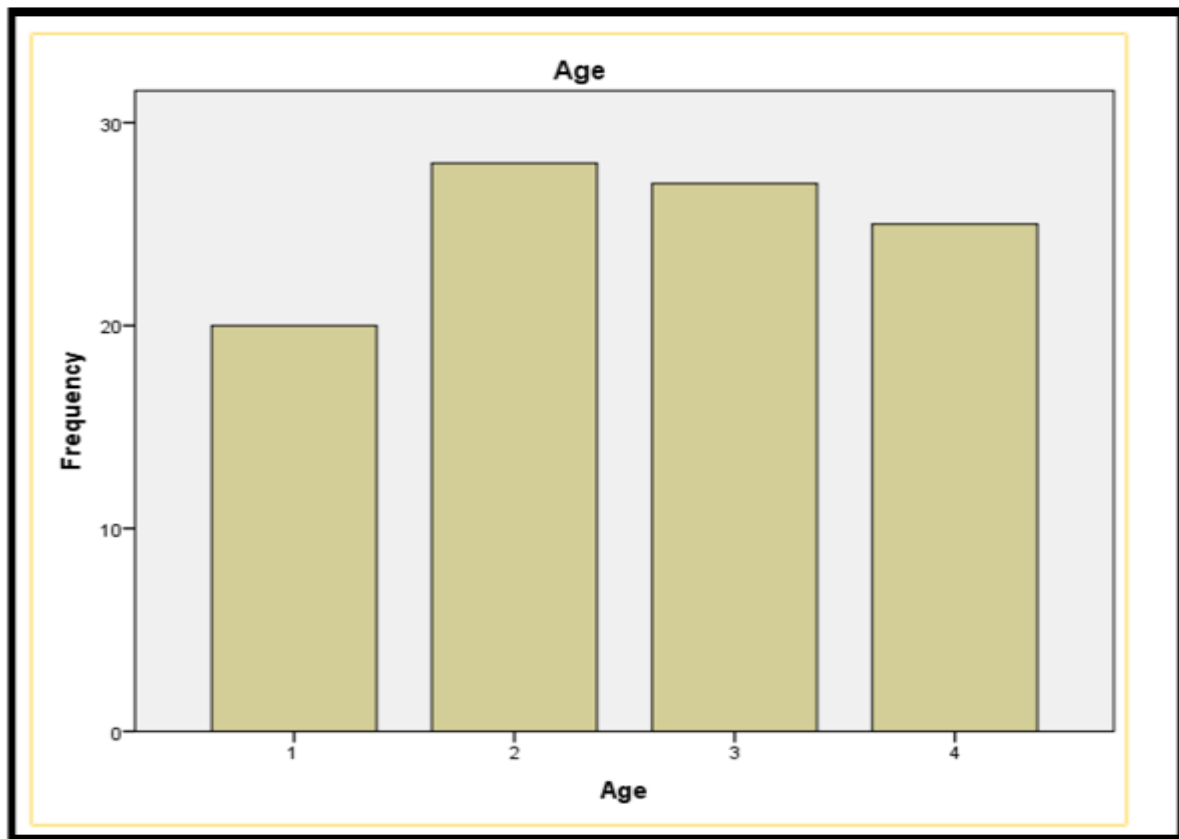


Figure 4: Age

(Source: SPSS)

Axes: x stands for age, and y for the proportion of people who are "free of charge." The percentage of people who are "free of charge" seems to be increasing as people become older, with the 20–30 age group seeing the greatest development. More than thirty data points plainly show that the x-axis label has been deleted.

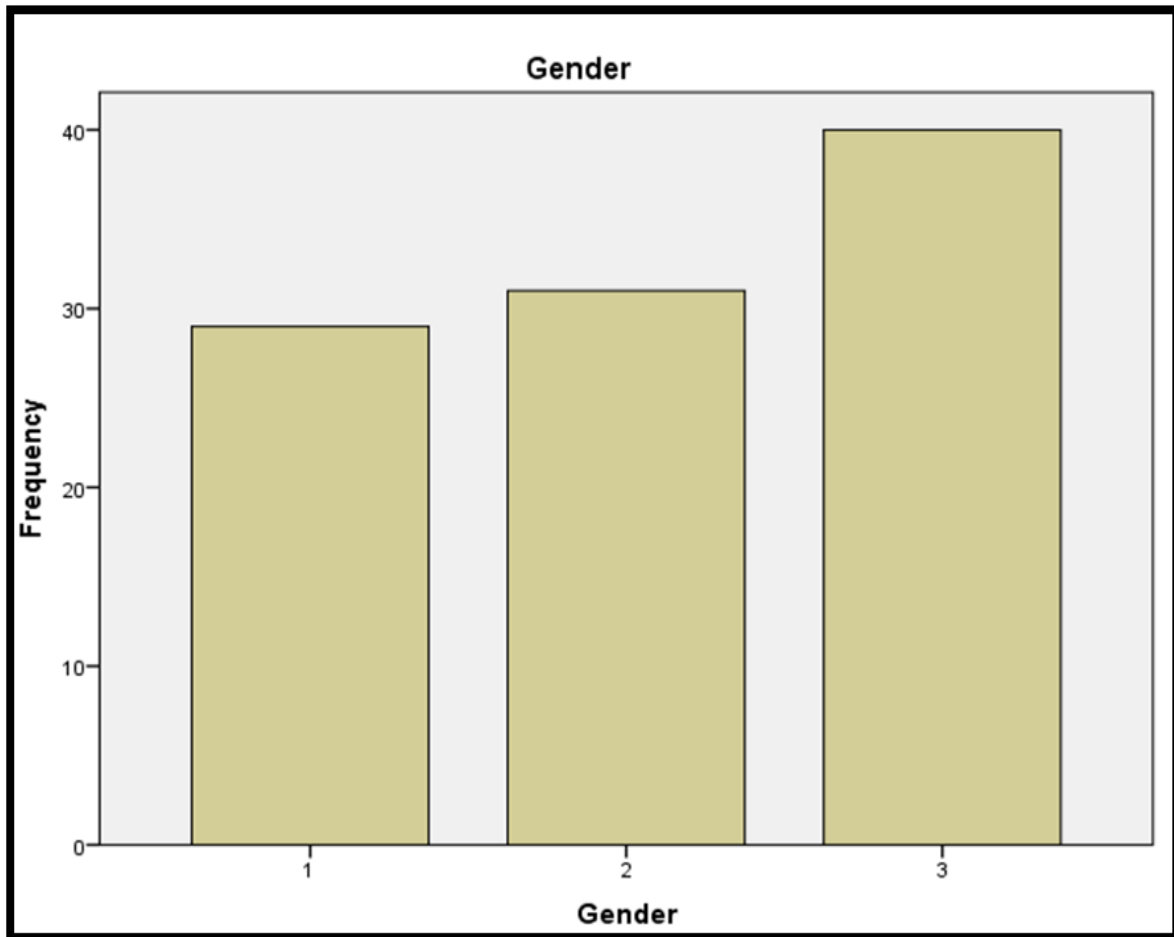


Figure 5: Gender

(Source: SPSS)

The way the x-axis labels are shown makes it difficult to fully understand the data. There are no values shown on the y-axis for any category. The chart's data and the population it represents must be examined in order to draw any meaningful conclusions.

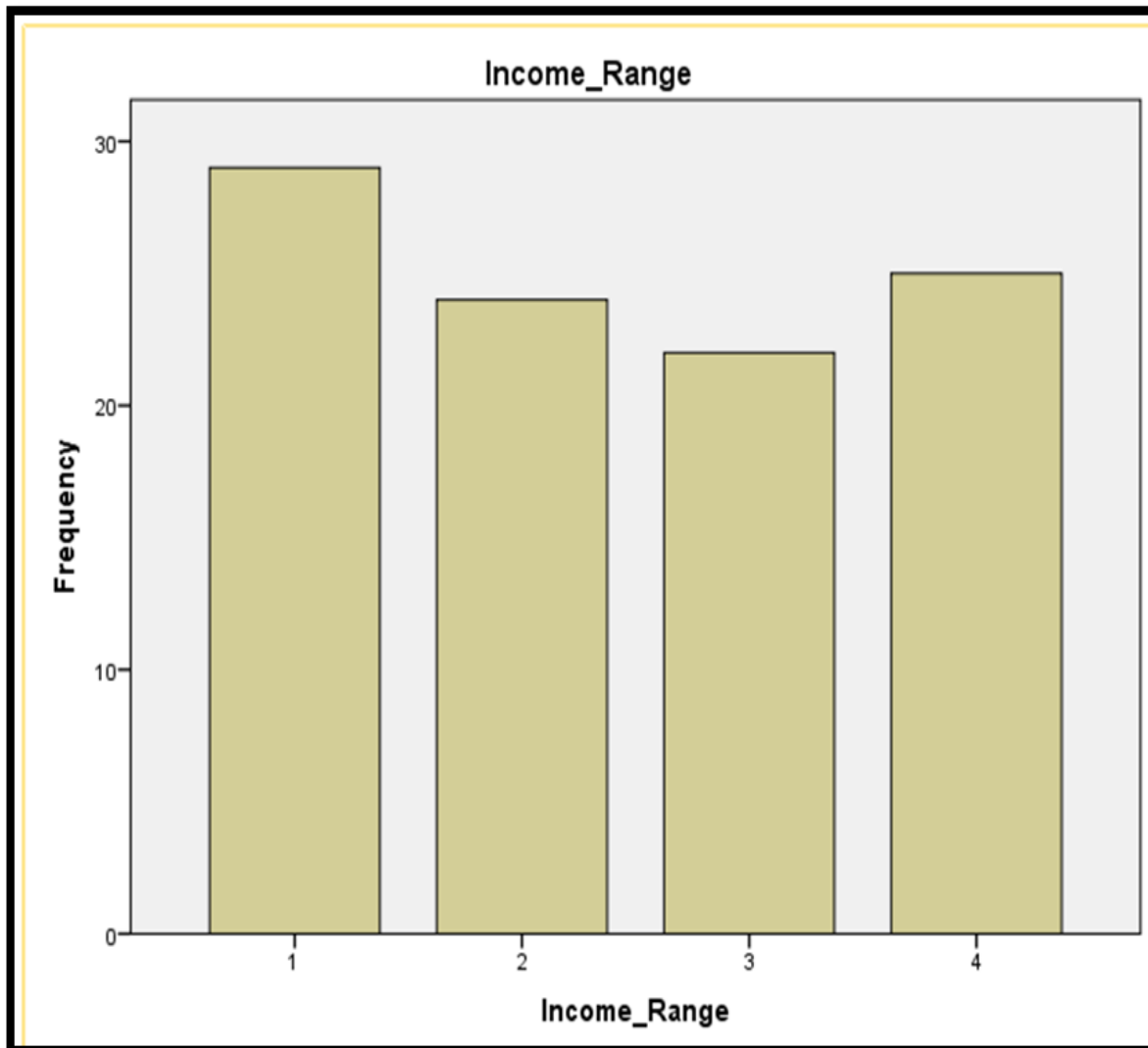


Figure 6: Income Range

(Source: SPSS)

The graph shows that a larger percentage of people have lower earnings than do people with higher incomes. The median income in the population is around \$70,000, and half of the people make more than this. Over \$150,000 is earned yearly by the top 10% of earners, while less than \$25,000 is earned by the bottom 20%.

Statistical Test

Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
DV	100	2.00	10.00	5.9900	1.92535
IV1	100	3.00	14.00	8.9700	2.42652
IV2	100	2.00	10.00	5.9800	2.03990
IV3	100	4.00	15.00	8.8000	2.44536
Valid N (listwise)	100				

Table 4: Descriptive Statistics

(Source: SPSS)

Table 4 addresses the "Descriptive statistics" of the components. As per this test, the "Minimum value" of the components has to be identified. According to this table, the "Minimum value" of the variables are 3.00, 2.009, and 1.00 accordingly. After that, the "Mean value" of the variables are 8.9700, 5.9800, and 8.800 respectively. Additionally, the "standard dedication" value of the variables is also highlighted in this section, which are 2.42652, 2.03990, and 2.44536 respectively.

Correlations Test

Correlations						
		Age	DV	IV1	IV2	IV3
Age	Pearson Correlation	1	.052	-.024	-.128	.005
	Sig. (2-tailed)		.610	.810	.203	.958
	N	100	100	100	100	100
DV	Pearson Correlation	.052	1	.054	.059	.120
	Sig. (2-tailed)	.610		.594	.559	.235
	N	100	100	100	100	100
IV1	Pearson Correlation	-.024	.054	1	.024	-.001
	Sig. (2-tailed)	.810	.594		.810	.992
	N	100	100	100	100	100
IV2	Pearson Correlation	-.128	.059	.024	1	-.019
	Sig. (2-tailed)	.203	.559	.810		.851
	N	100	100	100	100	100
IV3	Pearson Correlation	.005	.120	-.001	-.019	1
	Sig. (2-tailed)	.958	.235	.992	.851	
	N	100	100	100	100	100

Table 5: Correlation Analysis

(Source: SPSS)

Table 5 is based on the "Correlation test" of the variables. As per this statistical analysis, the "Significant value" of the components has to be measured. The first component has a .024 "Sig value" which states that there is no direct correlation among the variables. Therefore, "IV3 and IV 4" have a .001 "Sig value" which indicates that a significant correlation is stated among the variables. With the support of this test, the importance of the "special economic zone" on economic development has been identified.

Regression Analysis

Regression

[DataSet0]

Model	Variables Entered	Variables Removed	Method
1	IV3, IV1, IV2 ^b	.	Enter

a. Dependent Variable: DV
 b. All requested variables entered.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.144 ^a	.021	-.010	1.93469

a. Predictors: (Constant), IV3, IV1, IV2

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.659	3	2.553	.682	.565 ^b
	Residual	359.331	96	3.743		
	Total	366.990	99			

a. Dependent Variable: DV
 b. Predictors: (Constant), IV3, IV1, IV2

Table 6: Regression Analysis
 (Source: SPSS)

This table is based on the "Model summary" and "ANOVA" test of the components. As per this table, the "R-value" of the components is .144, therefore, the "R Square value" is .021. After that, as per this table, the "Adjusted R square" value is -.010. With the aid of this table, it has been also conducted that, the "F value" of the component is .682. Based on these statistical analyses relationship between the global competitiveness and the "special economic zone" has to be discussed properly.

Discussion

As per this section, detailed knowledge about this study has been conducted. With the help of this study, the importance of the “special economic zone” has been addressed. Therefore, as per this study, it has been conducted that, the presence of modern infrastructure and favourable business environments attracts foreign businesses, encouraging them to open operations in Special Economic Zones (SEZs). It directly contributes to the framework's design with an eye on export development, opening up markets for companies worldwide. Export-oriented zones (SEZs) provide export-related incentives to help companies reduce costs and become more competitive in global markets. SEZs have the potential to provide local populations with economic opportunities while also reducing unemployment and improving quality of life (Phonvisay et al., 2021). Moreover, a firm that benefits from being in a “special economic zone” may be able to manufacture and sell items at a cheaper cost in an effort to remain competitive on a global scale. The zones have drawn criticism from several nations for essentially being labour camps where people are denied basic labour rights. SEZs seem to have a limited impact on the development of human capital. The majority of SEZ units give their employees on-the-job training. However, guidance is employer-driven, targeted, and has a limited shelf life.

As per this study, it has been conducted that, “Strengthening technical capabilities is aided by more than just technology transfers. Strong internal R&D capabilities are necessary for the assimilation and deployment of foreign technologies. Analyzing the R&D efforts conducted by the units is crucial. Excellent infrastructure, such as communication networks, utilities, and public transportation, is typically found in these areas, which improves effectiveness in operations”.

Conclusion

Detailed information about this study has been gathered with the support of the primary data collection method. Therefore, this study also helps to find out the relationship between special economic activity and global competitiveness. Moreover, based on this study, it has been identified that the reason for economic resilience highlights the significance of establishing a “special economic zone”(SEZ) and explains how SEZ aims to demonstrate strong competitiveness on a global scale. A zone inside a country that has been given unique socio-economic rules and regulations is known as a Special Economic Zone, or SEZ.

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Appendix 1: Survey Questions

What is your age group?

- Less than 20 years
- 20-40 years
- 40-60 years
- Above 60 years

What is your gender?

- Male
- Female
- Others

What is your income range?

- Less than \$20000
- \$20000 to \$30000
- \$30000 to \$60000
- More than \$60000
- The motive for economic resilience focuses on the importance of creating a “special economic zone” and describes how SEZ intends to exhibit strong competitiveness globally.
- The Special Economic Zone, or SEZ, represents a region that has been assigned special socioeconomic laws and regulations inside a nation.
- Globalization is greatly aided by foreign direct investment in several ways, including the exchange of technology, financial backing, innovation, and better oversight.
- SEZs are found inside a nation's boundaries.
- An environment of constant enhancement can be fostered by such collaboration, which may result in the creation of partnerships, research projects, and centres for innovation.
- Implementation of cutting-edge technologies and efficient procedures may arise from cooperation between international and local businesses in SEZs
- Administrative supplies, capital items, raw materials, and additional commodities can be imported or purchased by SEZ entities without incurring any duties