

# Impact of Gross Domestic Product (GDP) on Special Economic Zone: A Study of Madhya Pradesh

**Mr. Arpan Shrivastava**

Assistant Professor, IBMR, Indore  
arpan.mitm@gmail.com

**Dr. Murli Dhar Panga**

Associate Professor, PIMR, Indore  
panga006@gmail.com

## ABSTRACT

Special Economic Zones are the strategic locations for the promotion and development of exports from any country/ Area/ Region or State, similarly Gross Domestic Product (GDP) is the indicator of economic development of any country/ Area/ Region or State and it has been concluded by many researchers that exports are the backbone of any developing country. Here in this study we are assuming that the exports of any country/ Region are dependent upon the Growth rate of that country/ Region. We have used ANOVA and correlation as statistical tools for the analysis of data. The current research would help us to check and identify the impact of Gross Domestic Product on Total Exports from SEZ Madhya Pradesh, further we would try to conclude whether there is any correlation between SEZ Madhya Pradesh and GDP of Madhya Pradesh or not.

**Keywords:** SEZ, G.D.P, Exports, Madhya Pradesh, Region.

## INTRODUCTION

The ever-increasing global competition creates an ambience where different governments need to have a robust strategy to increase its trade exports. Trade policy of every country can be understood in the larger context of various macroeconomic policies pursued by respective governments. In 1980s, many developing countries began to recognize that restrictive policies can largely impede growth. To facilitate growth and integration into the world economy, many countries have embarked on reform programmes. After pursuing an inward-looking development strategy, India decided to take a historic step of changing tracks in 1991. India launched its liberalization Programme. It designed an outward oriented trade policy which was seen as a paradigm shift from the decades old import-substitution policy. Taking reference to boost exports, the concept of Free Economic Zone has gained currency in the last three decades. The establishment of special geographic areas to reach economic aims is not a new idea.

India was the first country in Asia to establish economic zones, yet it could not deliver results as envisaged at the initiation of the policy because the objectives were not well defined before setting up these zones. This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations. SEZs in India during 1.11.2000 to 09.02.2006 functioned under the provisions of the EXIM / Foreign Trade Policy and fiscal incentives were made effective through the provisions of relevant statutes.

### Special Economic Zone

A Special Economic Zone (SEZ) is a custom bounded territory where the economic laws of the country related to imports and exports are more liberal and broadminded as compared to rest parts of the country (Shrivastava & Panga 2014). The Government of India (GOI) has formulated a policy for setting up Special Economic Zones (SEZ) in India. SEZs are proposed to be specially delineated duty-free enclaves for the purpose of trade, operations, duty and tariffs. These zones are self-contained and integrated having their own

infrastructure and support services. Any industry within the special Economic Zone may be established for the manufacturing of the goods/services and other activities including assembling, processing, repairing, trading, overhauling etc (Shrivastava & Panga 2014)

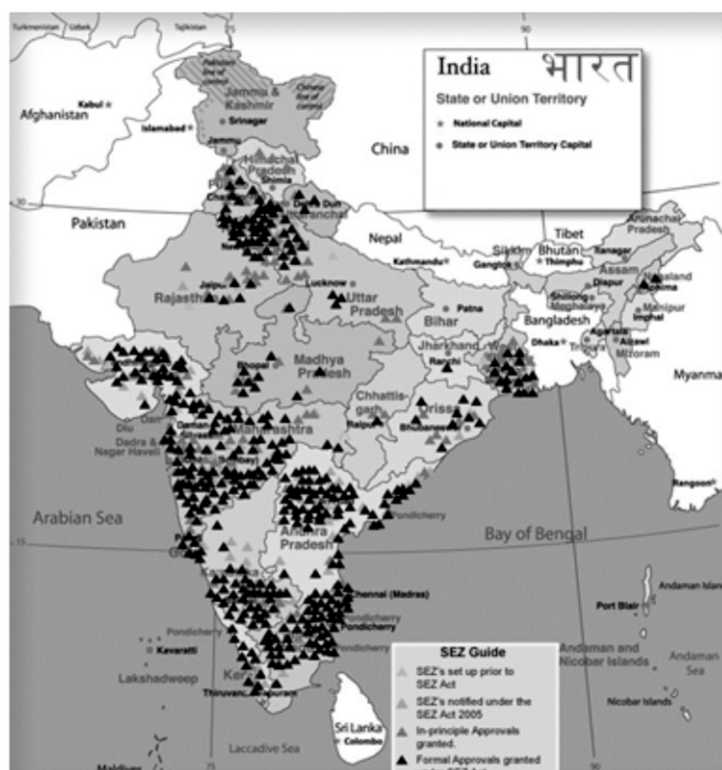


Figure 1: showing the distribution of SEZs (State-wise)

### Madhya Pradesh

Madhya Pradesh is the second largest State of India which covers around 9.5% of the country's area is blessed with rich natural resources, a gifted climate for seasonable agricultural production and fertile agro-climatic conditions. With an excellent quality life, a peaceful labour force, a rich cultural heritage, a flourishing industrial base, a progressive & investor friendly environment, Madhya Pradesh is one of the best place for setting up new industries.

Madhya Pradesh is now considered as India's most prosperous and profitable trade centers for investment, boasting of many eminent industrial groups. The pharmaceutical and automobile sectors have special presence. Availability of basic infrastructural facilities, A proactive work environment, well connectivity with rest of India, strategic location, peaceful work atmosphere, availability of natural resources and skilled workforce has made it an attractive investment destination.

### Indore as a Potential Market

A diverse city accepted and became the commercial capital of Madhya Pradesh, Indore is playing a key role in the development of trade and commerce of the State, and dignified to become a hub for software, education, industries, and suitable for inclusion in the coveted category of software cities, Indore has grown many folds and has more business potential to offer than any other cities of similar stature in the country. Major corporate houses, Industries and business houses including investors from abroad have already invested heavily in simultaneous projects going on in and around Indore.

## REVIEW OF LITERATURE

**Ahrens and Meyer (1995)** have suggested that SEZ are geographically and functionally limited parts of an economy in which rules and other institutions concerning the production and distribution of goods and services differ from those in the rest of the economy. These special institutions are realized in order to promote and favour economic activities in a specific area. Generally they offer both financial incentives such as lower taxes and tariffs, and subsidies as well as the substantial deregulation of the legal and administrative framework or the provision of legal privileges.

**Connie Carter and Andrew Harding** has suggested that Special Economic Zones (SEZs) are all about FDI (foreign direct investment), economic development, and poverty alleviation and policy incubators. Or so proponents would have us believe, while opponents can see only isolated free market enclaves that embrace sweat shops, low wages, gender imbalance and social and environmental degradation. Whoever is right the fact is that following the formalization of the new global trade regime under the World Trade Organization (WTO) in January 1995, SEZs as we have known them during the past three decades should no longer exist. For under the provision of the Agreement on Subsidies and Countervailing Measures (SCM Agreement) covered by the WTO Treaty, certain export-oriented subsidies and tax preferences are prohibited.

**Bharadwaj R (1993)** have suggested that China adopted its SEZs with various strategic objectives in different regions. These objectives were to attract foreign direct investment, emphasize on managerial and skill training technology transfer, provide employment and fulfill socio-political objectives.

**R. Ali (13 May 2007)** suggested that, It is beyond doubt that the blueprints of the SEZs have been prepared to serve the interests of the big capitalists of India and that of the imperialist capital (on which the India's big capital is overwhelmingly dependent). To serve their interests, the BJP-led NDA government inceptioned the SEZ policies in 2000. Soon after the inception of SEZ policies, several state governments (including the left-ruled West Bengal) jumped to the bandwagon and made state-level editions of the SEZs

## OBJECTIVE OF THE STUDY

- To Study the relationship between GDP and SEZ Exports from Madhya Pradesh.

## HYPOTHESIS

$H_{01}$  : There is no significant impact of GDP of Madhya Pradesh on SEZ Pithampur Exports

## RESEARCH METHODOLOGY

### The Study:

The study undertaken was descriptive in nature which provides valuable inputs on the research topic. To analyze the impact of 'Gross Domestic Product' on 'Special Economic Zone' the data is taken from reliable sources like website of SEZ Indore, department of commerce etc.

### The Sample:

The research was conducted on a sample of last 10 years data.

### The Tools

- **The Tools for Data Collection:** The data was collected through secondary source of information like website of Indore SEZ, website department of commerce, various published research papers, magazines, trade news and newspapers etc.
- **Tools for Data Analysis:** The analysis of collected data was carried out using Microsoft Excel and Statistical Package for Social Science (SPSS 16.0). The pie chart and bar graph are drawn on MS Excel and the significant relation among factors were analyzed by applying ANOVA by using SPSS.

**Table 1 : Model Summary**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .987 <sup>a</sup> | .975     | .966              | .06396                     |

a. Predictors: (Constant), GDP\_Madhya\_Pradesh

**Table 2 : ANOVA<sup>b</sup>**

| Model |            | Sum of Squares | df | Mean Square | F       | Sig.              |
|-------|------------|----------------|----|-------------|---------|-------------------|
| 1     | Regression | .473           | 1  | .473        | 115.515 | .002 <sup>a</sup> |
|       | Residual   | .012           | 3  | .004        |         |                   |
|       | Total      | .485           | 4  |             |         |                   |

a. Predictors: (Constant), GDP\_Madhya\_Pradesh

b. Dependent Variable: Exports\_From\_SEZ\_Indore

**Table 3 : Coefficients<sup>a</sup>**

| Model |                    | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|-------|--------------------|-----------------------------|------------|---------------------------|--------|------|
|       |                    | B                           | Std. Error | Beta                      |        |      |
| 1     | (Constant)         | -3.051                      | .352       |                           | -8.657 | .003 |
|       | GDP_Madhya_Pradesh | .057                        | .005       | .987                      | 10.748 | .002 |

a. Dependent Variable: Exports\_From\_SEZ\_Indore

**Here the null hypothesis  $H_{01}$  stands rejected** as the p value is found  $0.002 < 0.05$  (Standard Sig. Value) which reveals significant impact of GDP (Madhya Pradesh) to Exports from Special Economic Zone (Pithampur). The Test result is found significant at the 0.05 level of significance or at 95% level of confidence. The Regression result in the above Table reveals that the value of r is 0.987 which shows that there is an impact of Gross Domestic Product of Madhya Pradesh on Exports from Special Economic Zone (Pithampur). The result also reflects degree of relationship between GDP (Madhya Pradesh) and Exports from SEZ Pithampur (Indore) which is said to be high as  $r=0.987$  for GDP (Madhya Pradesh) against Exports from SEZ Pithampur. Therefore, the study assumes that there is a high positive impact of GDP (Madhya Pradesh) on Exports from SEZ Pithampur (Indore). Further the study proves that due to the positive correlation among both the variables Exports from Special Economic Zone (Pithampur) will grow up by .987 units with an increase in the Gross Domestic Product (Madhya Pradesh).

**CONCLUSION**

Exports is considered as the backbone of any developing economy, Gross Domestic Product (GDP) considered as the economic indicator of any country's economy, and Special Economic Zone (SEZ) is having a direct and positive correlation with export. Similarly, Exports is also helpful in the economic development of any State/ Region/ Area, GDP is helpful in identifying the growth rate of that State/ Region/ Area, and the SEZs are strategically developed for the promotion and boosting of exports. Therefore, in this study we tried to find the impact of GDP of Madhya Pradesh on Exports from SEZ Madhya Pradesh. The result of the study concludes that there is positive impact and strong correlation between GDP of Madhya Pradesh and Total

SEZ Exports from Madhya Pradesh. Thus, the result of this study concludes that if the Gross Domestic Product (GDP) of any state (Madhya Pradesh) increases then the exports of the country will also increase, and with the help of above statement it may be also concluded that if the GDP of any country raises then the export from that country will also increase and vice-versa.

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