

A Study on the Performance Evaluation of Special Economic Zone Units on the Basis of Employment Generation in Kerala

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ABSTRACT

A Special Economic Zone is a trade capacity development tool with the goal to promote rapid economic growth by using tax and business incentives to attract foreign investment and technology. Special Economic Zone (SEZ) is a geographical region that has economic laws that are more liberal than a country's typical economic laws. SEZs attract investment and foreign exchange, spur employment and boost the development of improved technologies and infrastructure. In India, Special Economic Zones are being established in an attempt to deal with infrastructural deficiencies, procedural complexities, bureaucratic hassles and barriers raised by monetary, trade, fiscal, taxation, tariff and labour policies. Special Economic Zones/Export Processing Zones are being established as industrial enclaves for expediting the process of industrialization.

Keywords: Special Economic Zone, Formal Approval, In-Principle Approvals, Export Processing zones, Foreign Investments.

INTRODUCTION

A Special Economic Zone (SEZ) is a specified delineated and duty free geographical region that has different economic laws from those of the country in which it is situated. In some countries, such a region is even treated as a deemed foreign territory. A SEZ is a trade capacity development tool, with the goal to promote rapid economic growth by using tax and business incentives to attract foreign investment and technology. By offering privileged terms, SEZs attract investment and foreign exchange, spur employment and boost the development of improved technologies and infrastructure. The word "Special" in SEZ mainly means special economic systems and policies. Special Economic Zone means an area that has been specified as an enclave that is duty free and is treated as a foreign territory for various purposes such as tariffs, trade operations, and duties. India is one of the first countries in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports. Asia's first EPZ was set up in Kandla in 1965. The concept of EPZ was later complemented by schemes like Export Oriented Units (EOU) which was introduced by the Ministry of Commerce in 1980 vide resolution dated 31st December 1980.

Statement of the Problem

Different states have different SEZ stories to tell, while some State has done exceedingly well, but others are not up to expectation. Govt. of Kerala SEZ Policy (2008) have been planned to suit the interests of the Indian state in particular. Kerala is located in the South Western section of the country, with the strategic district of Cochin very near the international maritime highway. From the Govt. of Kerala SEZ Policy it is denoted that the state can use this zone for the production of goods and services for export-oriented activities. The Govt. of Kerala SEZ Policy is so framed to speed up the Kerala economy along with its infrastructure to make the production of the state more export oriented for the world market. The state is offering various kinds of incentives, concessions and exemptions to the business units operating in the special economic zones. No serious research was conducted on the performance evaluation of special economic zone units in the state of Kerala. It has been made an attempt

to study on the performance evaluation of special economic zone units in the state of Kerala in terms of Capital Investments.

REVIEW OF LITERATURE

NSSO, (2003), in a report on ‘Some Aspects of Operational Land Holdings in India, stated that in India’s largely agriculture based economy, questions of access to and control over land remain critical to, rural poverty and well-being. Recent estimates show that the nation’s land-holding pattern continues to be sharply skewed with 95.65 per cent of the farmers, within the small and the marginal categories owning approximately 62 per cent of the operated land areas; while medium and large farmers, who constitute a mere 3.5 per cent of the total farmers, own 37.72 per cent of the total area.

Banerjee-Guha, Swapna (2008), in an article on ‘Space Relations of Capital and Significance of New Economic Enclaves: SEZs in India’ pointed out that the pattern of concentration in urban areas is consistent with the hypothesis that SEZs are driven by motivations of acquiring real estate or, as some have noted, by a logic of “accumulation by dis-possession”. These consequences reinforce the concerns that have already been expressed regarding other negative consequences of SEZs, primarily on land acquisition. They strengthen the suspicion that while the costs of SEZs are quite real, the benefits of SEZs are not substantial.

Scope of the Study

The present study is mainly concentrated on Special Economic Zone which is operated by the Central Government in the state of Kerala to evaluate the performance Special Economic Zone. It considers the development of SEZs in the States. As this study examines the major Capital Investments in Special Economic Zones in Kerala especially Trivandrum, Kochi/Ernakulum and Kozhikode.

Objectives of the Study

To examine the Employment Generation in the Special Economic zone Units in the State of Kerala.

Hypotheses of the Study

Ho: There exists no significant correlation between the independent variable Employment Generation and the dependent variable Performance of SEZ units.

Population of the Study

Currently, there are about 204 Operational Special Economic Zones (as on March 2023) operating throughout India. In Kerala there are Sixteen (16) Operational Special Economic Zones (SEZs) and 300 Special Economic Zone Units have been operated in the State of Kerala and total of 21,778 employees are working in these Zones.

Samples of the Study

Area sampling method has been used for selecting the four areas from the State of Kerala namely Trivandrum from the south side of the State, from the middle side of the State Ernakulum and Kochi were selected and Kozhikode was selected from the north side of the State. Stratified Random Sampling method has been used for the selection of employees from these Special Economic Zone Units for the study.

Table: 1 Sample of the Special Economic Zones in the State of Kerala

Location/ Jurisdiction	Total Units	Sample Size For Units	Total Employees	Sample Size For Employees
Trivandrum	55	5 (10%)	6,085	60 (1%)

Kochi/Ernakulam	216	21 (10%)	15,497	155 (1%)
Kozhikode	6	1 (10%)	75	1 (1%)
Total	277	27(10%)	21,657	216%

Employment Generation

The aim of the Government while establishing the SEZ units is to provide employment and also to earn foreign exchange. The number of employment generated and the schemes of benefits offered to employees for their betterment is important for evaluation of performance since the SEZ units follow a labour friendly policy by certain units and enemy attitude towards employees by some units .

Employment- SEZ Central and State wise

The trend of Employment of SEZ in India and Kerala for 10 years from 2013-14 to 2023-24 are shown in Table 2

Table 2 Trend of Employment of SEZ in India and Kerala during 2013-14 to 2023-24

years	India		Kerala		Share of Kerala towards India (percentage)
	Employments (in persons)	Percentage change over years (+/-)	Employments (in persons)	Percentage change over years (+/-)	
2013-2014	1,78,763	0	9,129	0	5.10
2014-2015	1,79,000	0.13	10,562	15.69	5.90
2015-2016	4,90,358	174.00	11,303	23.81	2.30
2016-2017	6,20,824	247.28	11,633	27.42	1.87
2017-2018	6,76,608	278.49	12,314	34.88	1.81
2018-2019	8,44,916	372.64	23,799	160.69	2.81
2020-2021	10,74,904	501.30	25,701	181.53	2.39
2021-2022	12,83,309	617.88	32,311	253.93	2.51
2022-2023	14,36,721	703.70	36,412	298.86	2.53
2023-2024	15,64,233	775.03	39,618	333.97	2.53

Source: Data compiled on the basis of annual reports/various issues of working papers of Development Commissioner of Cochin SEZ and Ministry of Commerce and Industry, Govt. of India.

The trend line on the Employments of Special Economic Zones in India and Kerala during the ten years from 2013-2014 to 2023-2024 is fitted and is depicted in fig 1

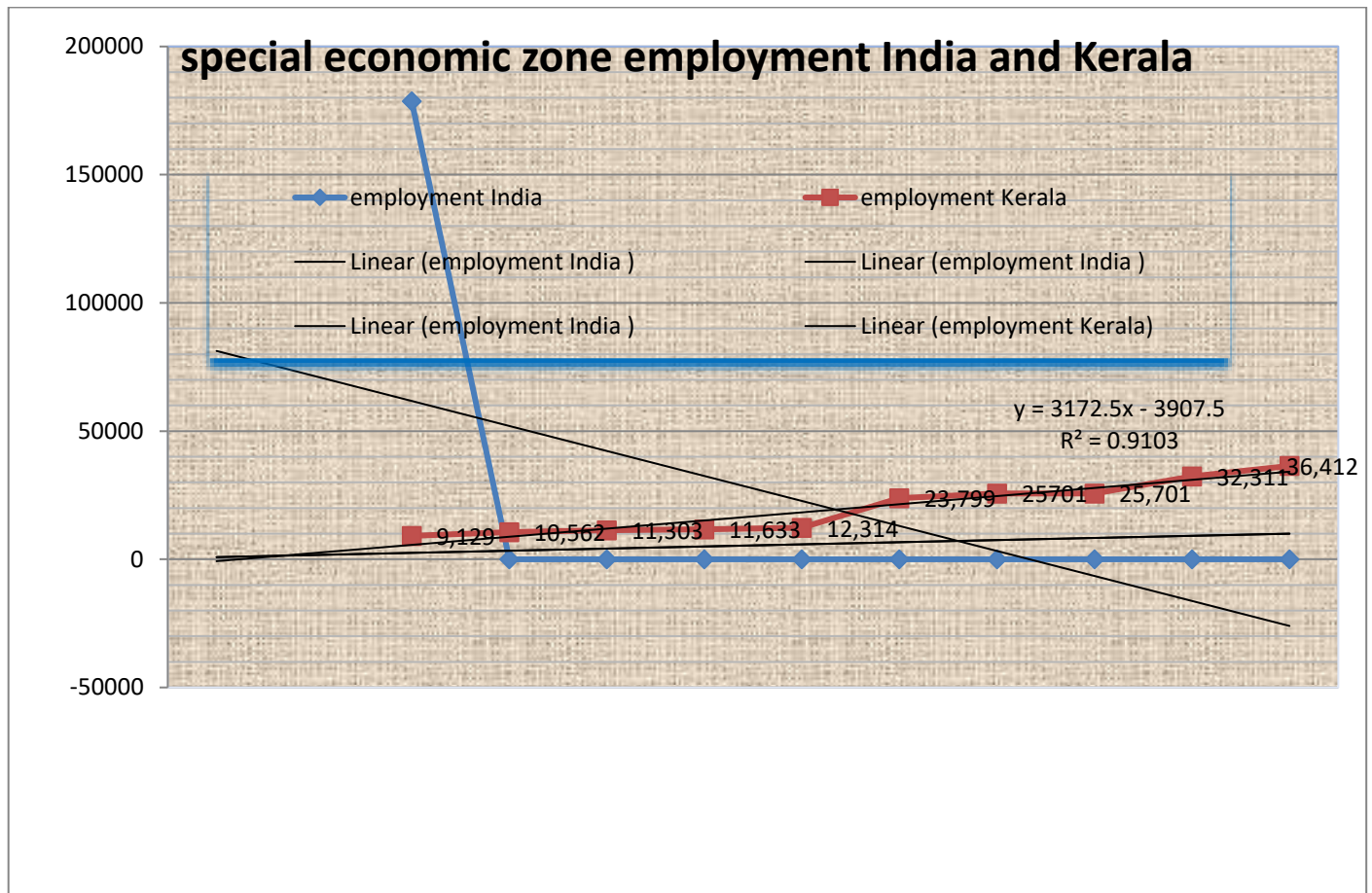


Figure 1 The trend line of Special Economic zone Employment in India and Kerala during the ten years 2013-14 to 2023-24

Source: Table 2

The trend value is calculated for the comparison purpose. The first line shows the trend of employment of Indian Special Economic Zones and the second line shows the straight line trend fit to the data. The value of $Y=3172.x3907$ and R squared value is 0.910. R Squared (R^2) value shows the ratio of variance in the data (employment), as explained by the figure 1, to the total variance in the data. A high R squared value is more stable than low R squared value. It means that export of India during the last ten years is very stable and it shows an increasing trend.

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The Employments of Special Economic Zones in India for the last ten years has been taken for the trend analysis. A straight line trend can be fitted to the Employments of Special Economic zones in India are based on the principle of least squares. The trend line of Total Special Economic zone Employment in India for the last ten years (2013-2014 to 2023-2024) are given in the figure 2

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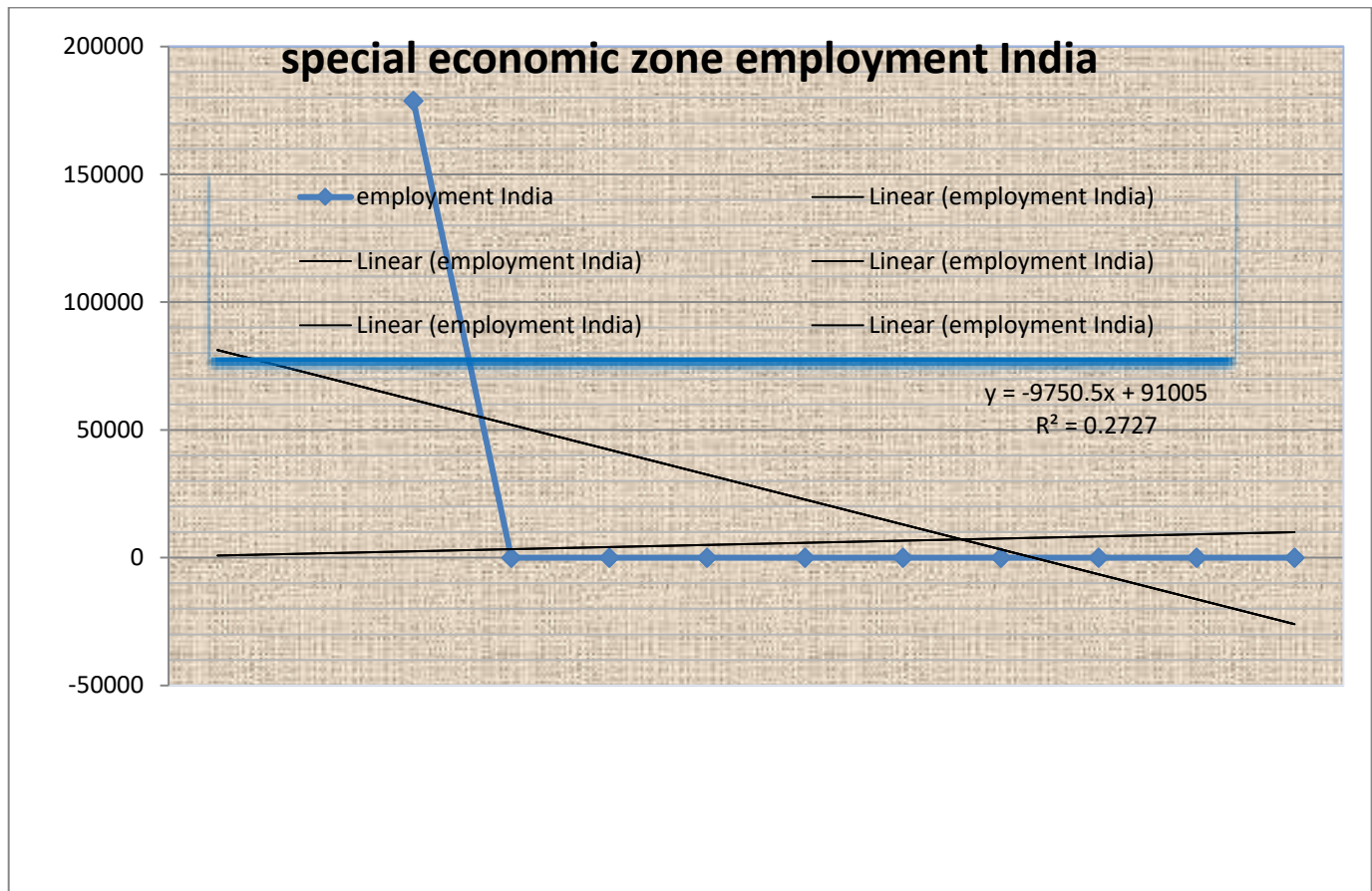


Figure 2 The trend line of Total Special Economic zone Employment in India for the last ten years (2013-2014 to 2023-2024)

Source: Prepared from Table 2

Note: Linear trend (straight Line) by using the least squares method to calculate the line of best fit for a supplied set of y- and x- values. Straight line equation: $y = ax + b$

x is the independent variable; **y** is the dependent variable; **a** is the slope (gradient) of the line; **b** is a constant.

The trend value is calculated for the comparison purpose. The first line shows the trend of employments of Indian Special Economic Zones and the second line shows the straight line trend fit to the data. The value of $Y = -9750.5x + 91005$ and R squared value is 0.272. R Squared value shows the ratio of variance in the data (employment), as explained by the figure 5.10, to the total variance in the data. A high R squared value is more stable than low R squared value. It means that employment of India during the last ten years is very stable and it shows an increasing trend.

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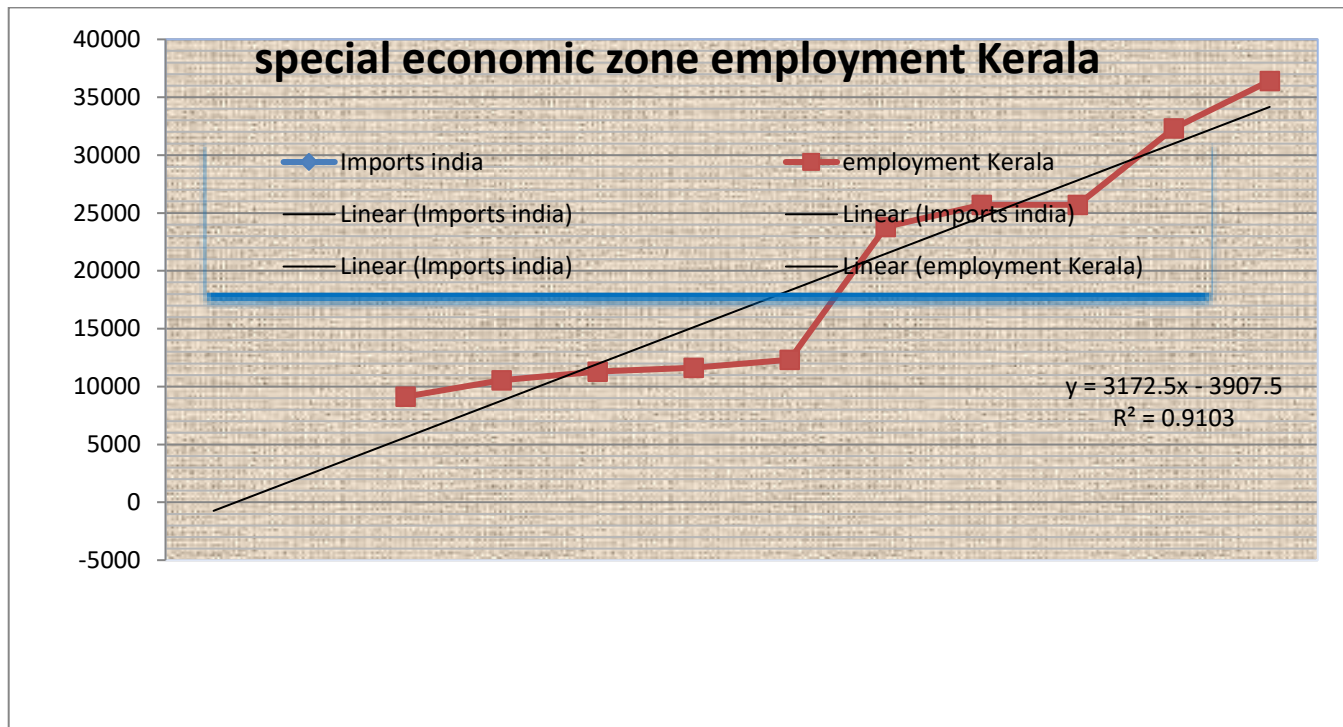


Figure 3 The trend line of Total Special Economic zone Employments in Kerala for the last ten years (2013-2014 to 2023-2024)

Source: Prepared from Table 2

Note: Linear trend (straight Line) by using the least squares method to calculate the line of best fit for a supplied set of y- and x- values. Straight line equation: $y = ax + b$

x is the independent variable; **y** is the dependent variable; **a** is the slope (gradient) of the line; **b** is a constant.

The trend value is calculated for the comparison purpose. The first line shows the trend of employments of Indian Special Economic Zones and the second line shows the straight line trend fit to the data. The value of $Y = 3172.5x - 3907.5$ and R squared value is 0.910. R Squared value shows the ratio of variance in the data (employments), as explained by the figure 3, to the total variance in the data. A high R squared value is more stable than low R squared value. It means that employment of Kerala during the last ten years is very not stable and it shows a decreasing trend.

The relationship between the variable Employment Generation and Performance Evaluation of SEZ units has been subjected to statistical test through Karl Pearson's co-efficient of co-relation as to identify whether there is any significant co-relation between these two variables and thereby the laid down hypothesis is true or not. The result is shown in Table 3

Table 3 Co-relation between Employment Generation and Performance Evaluation

		Employment Generation	Performance Evaluation of SEZ Units
Employment Generation	Pearson Correlation	1	.490**
	Sig. (2-tailed)		.000
	N	216	216
	Pearson Correlation	.490**	1

Performance	Sig. (2-tailed)	.000	
Evaluation of SEZ	N	216	216

****.** Correlation is significant at the 0.01 level (2-tailed).

The Pearson co-relation as seen from the Table 6.19 shows that there exists a significant co-relation between Employment Generation and Performance Evaluation of SEZ units which is 0.490 at 0.01 levels. Hence, the null hypothesis can be rejected and the alternate hypothesis is accepted. It means that there exists a significant co-relation among the relationship between Employment Generation and Performance Evaluation of SEZ units.

Suggestions

The following suggestions are made for improving the performance of SEZ units in Kerala:

- 1 More Number of Employment Created
- 2 Applicability of Labour Laws
- 3 Avoidance of Glass Ceiling
- 4 Proper and Adequate Training
- 5 Performance Appraisal
- 6 Remuneration
- 7 Adopt Social Security Measures
- 8 Adequate Motivation
- 9 Adequate Compensation
- 10 Efficient Working Hours

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