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SWOT Analysis of Special Economic Zone

Singh Sarbjit*

Abstract

For the rapid development of the economy and equal distribution of the development, Indian government has created special economic zones. These economic zones will act as a catalyst for the overall development of the region. Depending upon the resources and location each economic zone has been provided with the project. For the development of the region, it is must to know the strengths and weaknesses of the region. This study utilizes SWOT analysis to determine various internal and external factors which will impact Nagpur to be developed as the cargo hub for India. Thus provide a list of priorities for the organization and also help them to develop a strategic plan, keeping the external and internal factors in mind.

Keywords: special economic zone, MIHAN, cargo hub, SWOT analysis.

I. INTRODUCTION

SWOT analysis is a key tool to evaluate enterprises comprehensively, it identifies the organization's strengths, weaknesses, opportunities and treats. Thus, it considers both internal and external factors affecting the organization. By knowing SWOT analysis the organization can work on achieving its strategic objectives. SWOT analysis is a study undertaken by an organization to identify its internal strengths and weaknesses, as well as its external opportunities and threats. What makes SWOT particularly powerful is that, with a little thought, it can help you uncover opportunities that you are well-placed to exploit. And by understanding the weaknesses of your business, you can manage and eliminate threats that would otherwise catch you remain unaware. It also helps in determining the present positioning of the firm and what would be its positioning in the future. It helps management to focus on how to take maximum advantage of strengths and opportunities, and how to mitigate weaknesses and threats. Thus SWOT analysis is about capitalizing the organization's strengths, overcoming weaknesses, exploring opportunities, and countering threats.

1.1. Some Definitions of SWOT Analysis

As per Investopedia, “SWOT analysis is a process that identifies an organization's strengths, weaknesses, opportunities and threats. Specifically, SWOT is a basic, analytical framework that assesses what an entity (usually a business, though it can be used for a place, industry or product) can and cannot do, for factors, both internal (the strengths and weaknesses) as well as external (the potential opportunities and threats). Using environmental data to evaluate the position of a company, a SWOT analysis determines what assists the firm in accomplishing its objectives, and what obstacles must be overcome or minimized to achieve desired results: where the organization is today, and where it may be positioned in the future.”

As per Business Dictionary, “SWOT analysis is situation analysis in which internal strengths and weaknesses of an organization, and external opportunities and threats faced by it are closely examined to chart a strategy. SWOT stands for Strengths, weaknesses, opportunities and threats.”

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As per Oxford Dictionary, “SWOT analysis is defined as a study undertaken by an organization to identify its internal strengths and weaknesses, as well as its external opportunities and threats.”

II. LITERATURE REVIEW

The SWOT framework was first described in detail in the late 1960's by Learned et al. (1969). Piercy and Giles (1989) suggested that SWOT analysis has suffered from familiarity breeding contempt and that the technique is normally used very badly and too little effect. The article drew on experience of marketing planning process management in a variety of companies to propose a five-point approach to make SWOT analysis work effectively. Chang and Huang (2006) in their study presented a quantified SWOT (strengths, weaknesses, opportunities and threats) analytical method which provides more detailed and quantified data for SWOT analysis. The quantified SWOT analytical method adopts the concept of multiple-attribute decision making (MADM), which uses a multi-layer scheme to simplify complicated problems, and thus is able to perform SWOT analysis on several enterprises simultaneously. Container ports in East Asia are taken as a case study in this paper. Quantified SWOT analysis is used to assess the competing strength of each port and then suggest an adoptable competing strategy for each. Coman and Ronen (2009) have demonstrated that the major problems in the analysis of strengths and weaknesses can be alleviated by introducing three tools: event-factor analysis as a rigorous generator of strengths and weaknesses; focused current-reality tree (fCRT) analysis for the discovery of core-problems; and core-competence tree (CCT) analysis for the discovery of core competences. Helms and Nixon (2010) has done study to examine the use of the strategic management tool, strengths-weaknesses-opportunities-threats or SWOT analysis, and to assess how the methodology has been used as well as changes to the methodology. The findings both for and against SWOT analysis should lead to a balanced view of the technique as well as yield ideas for needed theory building. Yuan (2011) worked on the Liaoning province coastal tourism's overall development strategy - based on the SWOT analysis method. Dudovskiy (2012) has done SWOT analysis of e-shopping and provided the details of the internal external factors which plays an important role in e-commerce business. Thus, using the analysis e-commerce can capitalize on their strength and can mitigate their weaknesses. Zhang (2012) through analysis, they concluded that in the performance of the development process to promote tourist attractions, the key is the development and management of the internal factors of tourist attractions. By giving full play to the advantage of the attractions in their own premise, they could overcome the drawbacks, and grasp the development opportunities in order to create the brand strategy of the scenic spots, and give full play to the tourist attractions' own advantage. Osita et al. (2014) has identified what constituted strength, weakness, opportunities and threat of the two schools. SWOT analysis however helped one of the two studied to advance in the face of growing challenges thereby leading to its stability and increased productivity. The similar study for Henan, central economic zone for e-commerce in China (Ge, 2016). This article utilizes the SWOT analysis and combines internal and external environment of electronic commerce, pointing out opportunities and threats that Henan face when developing electronic commerce. The analysis of strengths and threats focuses on enterprises' strength and the comparison of the competitors. While the analysis of opportunity and threat focuses on the changes of external environment and the effect on the enterprise was also studied.

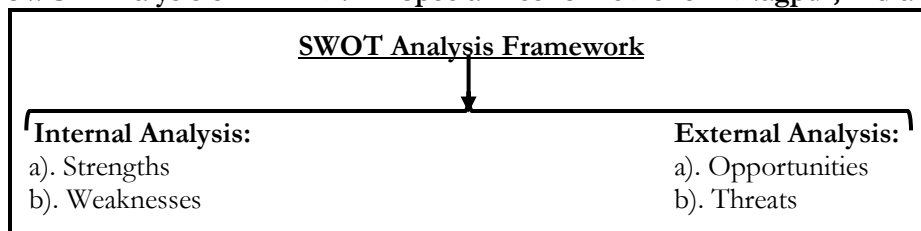
This paper utilizes the SWOT analysis with external and internal environment of the special economic zone in Nagpur for development as the cargo hub of India. Nagpur city is the second capital of Maharashtra has been given a special economic zone MIHAN (the multi-modal international cargo hub and airport at Nagpur) for that purpose several initiatives has been taken by local administration of Nagpur. This study provides the guidelines for development of strategies focused on capitalizing on the strengths and how to mitigate the weaknesses. It can be used at any time, to assess a changing environment and respond proactively. In fact, it is recommended to conduct a strategy review meeting at least once a year that begins with a SWOT analysis. In this project also the SWOT analysis has been done, using this analysis the organization can work on strengths identified and come up with a strategy to maximize the opportunities and the same strength can be worked upon to minimize the threats. Thus, strategies would act as a guiding principle for developing the strategic plan. This would help in achieving the strategic objectives of the MIHAN Project one of the biggest project of the Government of India.

III. RESEARCH METHODOLOGY

- Step 1:** specify the aim of the program/project, which the business, organization going to implement.
- Step 2:** then do the thorough analysis of the present situation by collecting secondary data. Also questionnaire can be made and can filled with the target population to get their views.
- Step 3:** ask questions related to internal factors, like how we are better than our competitors, where we lack, what are the resources required to be competitive. Thus brainstorming the factors which are relevant for the organization or project.
- Step 4:** ask questions related to external factors, like what are the future prospects of the program and how it would deal in the adverse situations. Whether it would be able to survive in future. What should be requirements of the future and whether the organization can fulfill these requirements?
- Step 5:** put all the answers in the SWOT Analysis framework given below and prioritize the factors in order of highest priority at the top to lowest priority at the bottom. Accordingly the strategic plan can be developed.

Figure 1

SWOT Analysis of MIHAN - A Special Economic Zone in Nagpur, India



Insert Figure 2 here

3.1. Strengths

3.1.1. Geographically Central Location

Being equidistant from various locations in the country, Nagpur enjoys good rail and road connectivity with all parts of the country. Many trains originate at Nagpur and connect to major cities in India. Nagpur is at the route of most of the trains', especially down south almost all the trains' passes through Nagpur. Any part of India can be

accessed from Nagpur by overnight journey. Both public and private bus services provide extensive road based connectivity to major locations in the country. Nagpur is well connected by air with cities such as Mumbai, Pune, Delhi, Bangalore, and Kolkata. With a robust connectivity profile, Nagpur has the potential to become a key logistics hub of central India. Also Nagpur is having two international flights operated by Qatar and Air Arabia. Thus, Nagpur can also be developed for exporting goods through air. As it has ample space and goods from various parts can be easily shipped to Nagpur.

Figure 2

Template of SWOT Analysis

SWOT ANALYSIS		
	Helpful to achieving the objective	Harmful to achieving the objective
Internal origin (attributes of the organization)	<p>S</p> <p>Strengths</p>	<p>W</p> <p>Weaknesses</p>
External origin (attributes of the environment)	<p>O</p> <p>Opportunities</p>	<p>T</p> <p>Threats</p>

Source: <https://www.professionalacademy.com/blogs-and-advice/marketing-theories---swot-analysis>.

3.1.2. Competence to Implement PPP Projects

In the sectors of water, sewerage, street lighting, transport and solid waste management - Nagpur is perhaps the only city in the country with a broad-based PPP implementation competence. The city has implemented PPP projects such as 24*7 water supply, recycling and reuse of 130 MLD wastewater installation of LED street lights in place of conventional street lights, city bus operations and the collection and treatment of solid waste management. The city has been able to improve efficiency of these services through effective leveraging of the private sector expertise. Thus Nagpur can work on similar lines for MIHAN project also (Bommier & Renouard, 2014).

3.1.3. Mineral Reserves

There are large reserves of various mineral resources which provides an ample scope for mineral based industries. The key minerals found in the region are coal (23% of the state's reserves) manganese (45% of the state's reserves), limestone and iron ore (76% the state's reserves) leading to the development of power, cement and steel manufacturing sectors. These minerals have to be transported to the various parts of the country or Industries have to be set up in and around Nagpur to utilize these resources in an optimal way.

3.1.4. Availability of Land

Nagpur presents an ideal proposition for industrial investment given the prices of industrial land in Mumbai and Pune region. The special economic zone has an area of 2086 hectares, the largest multi-product SEZ in would be built alongside the airport (Basumatari, 2017). MADC (Maharashtra airport development company ltd.) has leased about 510 Hectares land to IT companies like Infosys, TCS, Tech Mahindra, Kolland Hexaware etc. for developing the IT Parks and the manufacturing industries like Tal, Lupin and Aircraft MRO facility of Air India and Boeing combine (Mudliyar, 2015).

3.1.5 Present Government Policies

Present government is putting lot of effort to make this project successful. The union minister of transport told that being a MP from Nagpur would try to generate 50,000 jobs which will be beneficial to the Vidarbha's youth. While he further elaborated on his other plans on various infra projects like Sagarmala which encompasses a cluster of 30-40 industries like chemical, furniture and automobiles, which will boost the economy, shall be introduced soon. While he also announced a multi- modal station will be built with an outlay of 120 crores in the city (Wasu, 2017).

3.2. Weaknesses

3.2.1. Local Taxes and Power Rates

Taxes in the state of Maharashtra are pretty high, which dissolves the benefits of the special economic zone. Also the power rates are not industry friendly, Maharashtra has higher power rates than other states in India (Shukla & Phadke, 2014). Thus, unable to attract energy intensive industries. There is a need for special policy for energy intensive industries like European countries. Power generation through coal in Maharashtra is as high as 85 per cent, whereas in Karnataka it is 66 per cent through coal and 20 per cent hydel. Maharashtra has just 1 per cent hydel. In Chhatisgarh, power is 93 per cent coal based, but they are sitting on mines. We have to import coal from Orissa, transport alone adding 80 paise per unit. Western Coal Limited mines are almost dying. Another factor which works is booking timing that has given Gujarat a huge advantage as it gets power at less than Rs 3.50. We tied up long term power only after 2005. I must candidly admit that power tariff in Maharashtra is bound to remain higher than other state.

3.2.2. Movement of Skilled Labor

Because of lack of opportunities most of skilled labor has to move other developed parts of Maharashtra, which resulted in a shortage of skilled labor in Nagpur. Even the IT skilled persons have moved to the southern states, where they were getting better pay packages and opportunities. Therefore, availability of skilled labor in Nagpur becomes a weakness. Unless more opportunities are created and retain the local talent.

3.2.3. Unplanned and Haphazard Development

Over the years, there has been an increase in unauthorized layouts and illegal developments that currently make up the eastern (north to south east) periphery of the

Nagpur. It is estimated that there are over 2450 unauthorized layouts that have developed in violation of the proposed land-use of the development plan of Nagpur. This includes Mauza such as Nara, Nari, Wanjara, Wanjri, Bharatwada, Pardi, Watoda, Tajbagh, Manewada and Somalwada. Inequitable distribution of civic infrastructure services to one third of its population - The 2450 unauthorized layouts are estimated to house ~30% of the city's population. Being illegal, these layouts are unable to access civic services and continue to subsist in squalor. Services such as adequate water supply, sanitation and sewerage, public transport, and street lighting are not available for this section of the society.

3.3. Opportunities

3.3.1. Roll Out of Goods and Services Tax (GST)

In India different states were having different taxes and Maharashtra is the state having maximum tax. The goods and services tax is a value added tax (VAT) and is a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. Thus, removing the state wise disparities of taxes in India. It has replaced all indirect taxes levied on goods and services by the Indian central and state governments. It is aimed at being comprehensive for most goods and services. Nagpur stands to benefit the most with the roll out of the GST due to its geographic location. A distribution from Nagpur to various parts the country will be cost effective with GST implementation and would result in Nagpur becoming a mother distribution center.

3.3.2. Make in India Program

The make in India initiative was launched by the prime minister of India in September 2014 as part of a wider set of nation-building initiatives. Devised to transform India into a global design and manufacturing hub, make in India was a timely response to a critical situation: by 2013, the much-hyped emerging markets bubble had burst, and India's growth rate had fallen to its lowest level in a decade (Ramakrishnan, 2016). Building upon the make in India and skill India programs, Nagpur is developing a skill development center to train the youth in some critical skills. With skilled labor being made available locally, it will be a win-win situation for both employers and job seekers. At the make in India week-2016, Nagpur emerged as one of the most sought-after destinations after Mumbai, Pune, Nashik and Auranbagad, with private players keen on industrial growth in diverse sectors. Under the state government's make in Maharashtra drive, Nagpur will be developed an electronics hub. Fadnavis, Chief Minister of Maharashtra said, "the Nagpur-Mumbai super communication highway project will be a game changer as it will not only uplift the farmers in Vidarbha but also bring economic prosperity through development in North Maharashtra and Marathwada." The Rs 30,000-crore project will make the road travel between Nagpur and Mumbai possible in eight hours. Industry representatives when asked they found Nagpur well connected, though it required rapid growth in infrastructure and hospitality (Khapre, 2016).

3.3.3. Cotton Growing Belt

The farmers of Vidarbha region have increased the yield of the cotton ten folds, now the average cotton yield at Yavatmal is 51 quintals per acre (Ayal, 2016). These special economic zones have lots of tax exemptions from the government, if some more cotton textiles can be set up in Nagpur it will help to boost the MIHAN project. Thus, if government provides some more tax exemptions for setting up the textile in

and around MIHAN project. It would lead to development of the complete Vidharba region. Also it would help in retaining and attracting the skilled people.

3.3.4. Foreign Direct Investment

With the change in government policies to foreign direct investment, especially for the special economic zones. Nagpur has a huge potential to attract foreign direct investment in various industries. Nagpur is known as the orange capital of India and even united nations industrial development organization has identified six food processing clusters in the region. The other area where FDI can be attracted is aerospace industry and it will serve dual purpose not only making countries defense industry strong, but could also help in the development of Nagpur as a cargo hub. One of the 42 mega food parks sanctioned by the central government across the nation will be coming up in Wardha district (Anparthi, 2016).

3.4. Threats

3.4.1. Unauthorized Layouts

There are a large number of unauthorized layouts exist on the eastern periphery of the city abutting the Bhandara road. The Bhandara road is fast emerging as a warehousing and logistics centres, which will attract population due to employment opportunities. The abysmal quality of life in these unauthorized layouts can hamper the growth of a logistics hub along the Bhandara road.

3.4.2. Aggressive Policies of Neighboring States

With Chhattisgarh becoming state in 2001 and Raipur as its capital. Raipur has been developed leaps and bounds. It has also attracted various industries and also provided good infrastructure facilities. Especially power intensive industry is attracted towards them as the electric power rates are cheaper than Nagpur. Also the other facilities provided by them can attract some of the projects which would otherwise have selected MIHAN as their location.

3.4.3. Coordination of Various Departments

Absence of well-defined policies and lack of use of project management tools. MIHAN project is a vast project and it requires the coordination of various departments and delay at one department would lead to the delay in the whole project. Thus, there should be complete synchronization of the decisions which is must to complete the project on time. The clearance from various departments should be received in the stipulated time. Because of red-tapism many project were not able to be completed on time. Many times, companies change their mind of investing in that particular project where approvals are delayed and process takes lots of time. Thus to make this project successful, it is necessary to have a time bound approval system. So that more number of companies can be attracted to invest in MIHAN project.

IV. RESULT AND DISCUSSION

SWOT Analysis is helpful in strategy formulation and selection. Although it's a strong tool, but it involves a great subjective element. We cannot completely rely on SWOT analysis. It can be considered as a best guide, and should not be considered as a prescription. Successful organizations capitalize on their strengths, work on their weaknesses and protect against internal weaknesses and external threats. They also keep track of their overall business environment and recognize and exploit new opportunities faster than its competitors. Hence, they are able to beat their competition. This SWOT analysis, although having limitations, but act as a starting point for any organization to build the road map for achieving their strategic objectives.

From above SWOT analysis, it can be interpreted that the selection of special economic zone in Nagpur has been correct. Its strengths outweigh the weakness. Also the choosing the economic zone targeting the ideal location of Nagpur. As Nagpur is well connected both most of the parts of the country. India is country with increasing per capita income and in future demand of goods would increase tremendously. Thus, there is a requirement of having a cargo hub in the center of the country from where goods can be shipped to the various parts of the country within the shortest possible duration of time. Hence it would help to improve the supply chain network for various manufacturing industries. Also, the availability of land is one of the main strengths, which can attract various companies to have their warehouse or a manufacturing plant in Nagpur.

Although there are weaknesses which are mentioned in the case, on which the government has to work to make this project a real success. The major weakness is to complete all the phases of the project within the stipulated time, for which various government departments have to work in unison and make this project one of the most successful projects in India.

The analysis also discusses about the external factors, which would play a vital role in the future, by doing an analysis of the external factors the project team works on the future risks and also can make fullest advantage of the future opportunities. They can help in making the roadmap for the successful execution of the program and prioritizing the factors affecting the program.

V. CONCLUSION

A SWOT analysis helps in identifying your strengths, weaknesses, opportunities and threats to assist you in making strategic plans and decisions. The SWOT analysis helps you to make strategies by which you make full utilization of your strengths and overcome your weakness. It provides a bird's eye view meant to flesh-out the viability of the project or program. This study has used the SWOT analysis with external and internal environment that would play a major role in the development of Nagpur has as the cargo hub of India. Nagpur city is the second capital of Maharashtra has been given a special economic zone MIHAN (the multi-modal international cargo hub and airport at Nagpur) for that purpose several initiatives has been taken by local administration of Nagpur. Thus, this study would help them to plan their strategies using the environment scanning done through SWOT Analysis. It would help the organization in identifying the most important issues, setting up the priorities, appraising the options and taking action accordingly.

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