CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION ABOUT LOGISTICS INDUSTRY

Logistics, as a business concept, evolved only in the 1950s. This was mainly due to the increasing complexity of supplying one's business with materials, and shipping out products in an increasingly globalized supply chain. The experts in this field are called Supply Chain Logisticians. This can be defined as having the right item in the right quantity at the right time at the right place for the right price and to the right target customers or end-users and it is the science of process and has its presence in all the sectors of an industry. Logistics is concerned with getting or transmitting the products and services where they are needed or when they are desired. It is difficult to accomplish any marketing or manufacturing operation without logistical support. Logistics involves in the integration of information, transportation, inventory, warehousing, material handling, and packaging. The operating responsibility of logistics is the geographical repositioning of raw materials, work in process, and finished inventories where required at the lowest cost possible.

Logistics management is that part of the supply chain which plans, implements and controls the efficient, effective, forward and backward (reverse) flow and storage of goods, services and information between the point of origin and the point of consumption in order to meet customers’ requirements rather than the customers’ delight. A professional working in the field of logistics management is called a Logician.
The primary objective of logistics management is to move effectively and efficiently, so as to extend the desired level of customer service at the least cost. Thus, logistics management starts with ascertaining customer’s needs till their fulfillment through product supplies. Indian Supply Chain and Logistics Industry is more than $100 Billion in size and it is the backbone of Indian Economy. Logistics industry is growing at a rate of 8-10% annually and has been a crucial contributor in the growth and development of the Indian economy.

1.2 THE IMPORTANCE OF THE STUDY

Logistics is one of the main functions of a company, as it involves both internal and external focus, covering the flow and storage of materials from point of origin to point of consumption. Logistics is much more and much wider than handling of the goods that are being returned to the manufacturer by the customer and vice versa. It covers all the activities that determine the fate of the returned goods. Logistics has been found to play an important role in almost any manufacturing firm, regardless of size, product and geographical reach of the firm. The focus initially is to conduct the survey and interviews in various firms. Transport Corporation of India Ltd stands for an integrated solution provider to the consumers. Even among the organized Indian logistics players, very few are offering across multiple modes through a single window. Transport Corporation of India Ltd’s aim is just not only to deliver from point A to B, but to enhance the customers’ business productivity.

1.3 STATEMENT OF THE PROBLEM

The inefficiency level in the logistics activities in India has been very high across all modes. With the evolving business environment, creating a strong demand pull for quality and efficient logistics services, core issues around enabling infrastructure, regulatory environment and the fragmented
nature of the industry are gradually being overcome. The required pace of efficiency and quality improvement will demand rapid development of capabilities of logistics service providers. And with logistics, which is a service oriented sector, skill development will emerge as a key capability while skill issues exist in varying degrees in all the segments of logistics; those segments where the gaps are not only wide but also widening at a relatively fast pace. India’s contribution towards logistics activities which is 13 percent of its GDP is higher than that of the developed nations. The key reason for this is the relatively higher level of inefficiencies in the system, with lower average trucking speeds, higher turnaround time at ports and high cost of administrative delays being just a few of the examples. These inefficiencies have arisen over the years from a combination of a non-conducive policy environment. At the same time, the absence of logistics under single umbrella led to a disintegrated approach for the development of the logistics sector.

The researcher has identified the problems being faced in the field of logistics finance and the policies which are handled by the top management in Transport Corporation of India Ltd the researcher has provided a framework for an efficient functioning of logistics operations. The present research seeks to build a knowledge based framework to topple down all the issues.

1.4 OBJECTIVES OF THE STUDY

1. To study logistics operations in general and in particular about Transport corporation of India Ltd

2. To analyze the financial performance of Transport corporation of India Ltd
3. To assertion the role of financial managers in mobilizing the fund and optimum utilization of the fund for logistics operations.

4. To identify the problems faced by the top management for optimum utilization of funds in Transport corporation of India Ltd

5. To develop a conceptual model for efficient functioning of logistics operations.

1.5 METHODOLOGY

The validity of any research depends on the systematic method of collecting the data and analyzing the same in a sequential order. In the present study, an extensive use of both primary and secondary data is made.

1.5.1 Sampling Design

For collecting primary data, field survey technique was employed in the study area. First-hand information pertaining to the behavior, satisfaction, benefits accrued problems in mobilizing funds and optimum utilization of the funds from various sources under study were collected from five hundred sample respondents.

Transport Corporation of India Ltd has thirty five offices at random in Tamilnadu. The respondents were chosen from all thirty five offices at the rate of fifteen each. The selection of respondents was made in active consultation with finance managers, branch managers of various branch offices of Transport Corporation of India Ltd and the research supervisor, so as to represent all categories such as rural, urban and metro. The respondents
were selected on a simple random basis from the managers of Transport Corporation of India Ltd

The geographical distribution of sample respondents is exhibited in Table 1.1.

Table 1.1  The Geographical Distribution of Sample Respondents in the Study Area

<table>
<thead>
<tr>
<th>S.No</th>
<th>Name of the Branch Office</th>
<th>Total</th>
<th>S.No</th>
<th>Name of the Branch Office</th>
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<td>500</td>
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</table>
1.5.2 Data Collection

Primary Data

In order to fulfill the objectives set, a sample study was undertaken by using a well framed questionnaire which was duly filled by the respondents. The respondents were selected with varying background based on the important aspects of their occupation, education, age, area, and so forth, in the Transport Corporation of India Ltd in South India. A noteworthy feature was that all respondents filled the questionnaire with much zeal. This was due to the high level of literacy among the respondents and the researcher’s rapport established with them.

The specimen of the questionnaire given to the selected sample respondents is shown in the Appendix section of this thesis.

Secondary Data

The primary data were supplemented by a spate of secondary sources of data. The secondary data pertaining to the study was gathered from the records of Transport Corporation of India Ltd Latest information was gathered from well equipped libraries in Bangalore, Mysore, Chennai and Coimbatore and also from Internet Web resources.

Further, the secondary data were also collected from leading journals such as International Journal of Logistics Management, IEEE, European Journal of Management, International Journal of Physical Distribution and Logistics Management, CII Bulletin, RBI Bulletin, Logistics Performance Index, Survey of Indian Industry etc., also a number of standard text books were studied to obtain pertinent literature on finance in logistics.
1.5.3  Discussion and Informal Interviews

In order to know the working pattern of Logistics Systems in Transport Corporation of India Ltd, several rounds of discussion were held with knowledgeable persons in the field of logistics finance, such as Regional Managers, Managers, and Officers and with the research supervisors.

1.5.4  Tools of Data Collection

By virtue of a mass of data obtained from research survey, as well as data from secondary sources collected and presented in the present report, descriptive and analytical research was considered as most appropriate for the study. The research problems and the questionnaire were all framed accordingly. The suggestions offered in the final chapter of the present research report emerged from the inferences drawn from the study of the sample respondents’ information who utilized funds for logistics operations. The researcher used closed –ended and open –ended questions in the questionnaire to collect primary data.

1.5.5  Construction of Questionnaire

The key aspect of the present research was identified through the preliminary interviews (pilot study) with some selected respondents. The questionnaire so drafted was circulated among some Research Experts, Senior Finance Managers and Research Scholars for a critical view with regard to wording, format, sequence and the like. The questionnaire was re-drafted in light of their comments.

1.5.6  Pre – test

The questionnaire meant for the respondents was pre-tested with respondents who have worked as a finance manager in Transport Corporation
of India Ltd. After pre-testing, necessary modifications were made in the questionnaire to fit into the track of the present study.

1.5.7 **Frame Work of Analysis**

The core of the study being ‘Utilization of Funds in Logistics Operations’, centers around the dependent variables viz., the effective utilization of funds by the Finance Manager in Transport Corporation of India Ltd., and their relationship with the related independent variables.

1.5.8 **Tools of the Study**

1. Simple statistical tools like Time series, percentage, average, scale scoring are used.

2. Chi-square technique was employed to study the relation between the milk supply to the society and the factors distance, education, other income, etc.

\[
\text{Chi–square test } (\chi^2) = \sum \frac{(O - E)^2}{E}
\]

Degrees of freedom \( = (R-1)(C-1) \)

\( O \) = Observed frequency

\( E \) = Expected frequency

1.6 **TEST OF HYPOTHESIS**

(i) \( H_0 \): there is no significant difference between expected delivery accuracy and performance of Transport Corporation of India on delivery accuracy.
(ii) $H_1$: there is significant difference between delivery accuracy and performance of Transport Corporation of India.

(iii) $H_0$: there is no significant difference between expected material handling techniques and performance of Transport Corporation of India on material handling.

(iv) $H_1$: there is significant difference between material handling techniques and performance of Transport Corporation of India on material handling.

(v) $H_0$: there is no significant difference between expected goods distribution method and performance of Transport Corporation of India on distribution method.

(vi) $H_1$: there is significant difference between expected distribution method and performance of Transport Corporation of India on distribution method.

(vii) $H_0$: there is no significant difference between expected information system and information system of Transport Corporation of India.

(viii) $H_1$: there is significant difference between expected information system and information system of Transport Corporation of India.

(ix) $H_0$: there is no significant difference between expected packaging techniques and packaging techniques of Transport Corporation of India.

(x) $H_1$: there is significant difference between expected packaging techniques and packaging techniques of Transport Corporation of India.
(xi) $H_0$: there is no significant difference expected customer friendliness and customer friendliness of Transport Corporation of India.

(xii) $H_1$: there is significant difference between customer friendliness and customer friendliness of Transport Corporation of India.

(xiii) $H_0$: there is no significant difference between expected operating effectiveness and operating effectiveness of Transport Corporation of India.

(xiv) $H_1$: there is significant difference between expected operating effectiveness and operating effectiveness of Transport Corporation of India.

1.7 SCOPE OF THE STUDY

The study will highlight the emerging trends in the growth of finance in logistics and the major problems faced by the utilizers of finance in logistics operations in Transport corporation of India Ltd. The study will also help the government in formulating and enforcing regulatory and legal reforms in this sector and thus achieve its aim of accelerating the economic growth.

1.8 PERIOD COVERED BY THE STUDY

The secondary data was collected for a period of ten years from the records maintained by the Transport corporation of India Ltd. Web resources were also referred to collect the latest information about the performance of Transport corporation of India Ltd.
1.9 LIMITATIONS OF THE STUDY

The study suffers from the following limitations

The market survey was conducted only in South India, India. Hence the results arrived from the study may or may not be applicable to other states. Further, the survey method which was adopted for collecting the data in this study has its own limitations.

Out of the total population of 500, were selected for eliciting first-hand information. In view of the time and monetary constraints, it was not possible to contact other than the selected number of respondents.

Certain respondents had given information about their economic background like annual income, wealth, and the like, from their memory as they had no account of them. Necessary cross verifications were made to reduce the biased information, wherever doubts arose.

Hence, the generalization of the findings of the study is subjected to these limitations.

1.10 CHAPTER SCHEME

The present empirical study has been divided into Seven Chapters.

- The first chapter deals with the introduction, design, and execution of the study.

- The second chapter presents the related review of literature both at national and international levels.
The third chapter presents a theoretical framework of logistics industry development activities in Tamil Nadu.

The fourth chapter evaluates the performance of the logistics industry based on certain specific indicators.

The fifth chapter covers the analysis of the financial performance of Transport corporation of India Ltd.

The sixth chapter discusses the main factors influencing the top management of Transport corporation of India Ltd.

The seventh chapter recapitulates the key findings and gives a comprehensive conclusion of the study. At the end of this chapter, certain policy suggestions have been made for better working of logistics industry.