CHAPTER 2

STATEMENT OF PROBLEM AND
CONCEPTUAL FRAMEWORK
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In the preceding chapter, an attempt has been made to highlight the role of shipping transport in the economic development of a nation. The chapter has also stressed that the development and maintenance of a strong and adequate shipping transport is a must for the country not only for conserving and earning foreign exchange, servicing and promotion of national and international trade and smooth progress of economic development but also to strengthen the defence requirement of the country. It has also examined the contribution of shipping transport in earnings/savings of foreign exchange and in the raising of the standard of living of the inhabitants here.

The present chapter sets the objectives of the study and focusses on conceptual framework. It also presents the hypothesis, the methodology and the review of literature available on the subject.

OBJECTIVES OF THE STUDY

The main objectives of the study are given below:

1. To examine and evaluate the financial performance of the SCI on certain parameters.
2. To study and analyse the organisational structure of the SCI and give certain measures for their improvements.

3. To study the contribution of Indian shipping in general and the SCI in particular towards the economic development of India.

4. To examine the growth of the SCI and its share in overseas trade.

5. To study the crew problem in the SCI and suggest preventive measures.

6. To look into the weak areas of the SCI and give remedial measures.

7. To examine the financial problem of the SCI and give suggestions for remedy.

8. To study allied methods pertaining to the performance of the SCI.

**FRAMEWORK**

Keeping in view the objectives of the study, the whole work has been divided into five chapters. Chapter first deals with the role and significance of shipping transport in the economic development of a country. Most of the overseas trade are performed by the shipping transport. It is a good earnings/Savings of foreign exchange. This transport is one of the cheapest means of transport. This
chapter also highlights the importance of shipping transport in spreading culture, civilisation and raising the standard of living of the people to provide essential and luxurious commodities at cheap rate.

Chapter second presents objectives of the study, meaning of the financial performance, parameters of the financial performance the hypothesis and the methodology. This chapter also provides the review of literature available on the subject.

The third chapter highlights the growth and organisational structure of the shipping corporation of India Ltd. The fourth chapter critically examines and evaluates the financial performance of the shipping corporation of India Ltd. using various parameters like liquidity ratios, profitability ratios, leverage ratios, funds flow analysis and common size analysis.

The fifth and the last chapter is the concluding chapter which provides the findings & conclusions of the study.

CONCEPTUAL FRAMEWORK OF THE STUDY

In our present day economy finance is defined as the provision of money at the time when it is required.
Every enterprise, or business whether big, medium or small, needs finance to carry on its operations and to achieve its targets. In fact, finance is so indispensable today that it is rightly said that it is the life-blood of an enterprise and business. Without adequate finances, no enterprise and business can possibly accomplish its objectives.

Since finance is viewed as the most important factor in every enterprise or business, therefore, its performance requires special mention and attention. Profits are one of the measures of the financial performance. Higher the profits means higher the financial performance. Overall good financial performance means the maximisation of profits and wealth of shareholders, ensure the maximum value of a firm or business, minimum cost of capital, better rate of return on capital employed and to maintain healthy debt equity ratio, liquidity ratios and profitability ratios.

In view of its significance as outlined above, the following parameters have been adopted in the study.

PARAMETERS OF FINANCIAL PERFORMANCE

Financial performance of the shipping corporation of India Ltd has been critically examined and evaluated to
use different parameters as given below.

A. Liquidity Ratios

(i) Current Ratio
(ii) Liquid Ratio
(iii) Absolute Liquid Ratio

B. Profitability Ratios

(i) Gross Profit Ratio
(ii) Net Profit Ratio
(iii) Operating Ratio

C. Leverage Ratios and

(i) Debt Equity Ratio
(ii) Earning Per Share
(iii) Net Worth Analysis

D. Funds Flow Statements

E. Common Size Statements

In addition to it, other useful & Important parameters have also been utilised to in at conclusion.

**HYPOTHESIS**

The study proposes to test the following hypothesis.
1. That the shipping corporation of India has been growing substantially but it has no place in international flags.

2. That India has only 11 major ports and even these ports have inadequate capacity and poor in frastructural facilities which lead delay in loading and unloading of ships.

3. That the organisational structure of the Shipping corporation of India is too efficient to maintain cordial and congenial relations and work is performed efficiently.

4. That though the shipping corporation of India is earning handful profit and gives better remuneration to its employees but they have more higher expectations to see the remuneration of the employees of foreign shipping companies, hence there is labour problem in the organisation.

5. That the over-all performance of the shipping corporation of India is to some extent satisfactory.

**METHODOLOGY ADOPTED**

The work of this thesis is mainly based on the secondary sources. Some primary sources have also been
relied upon. Essential informations and necessary data have been collected from various secondary sources such as journals, periodicals, annual reports, director's report, auditor's report, newspapers, research papers etc. on the shipping corporation of India and interpreted to critically examine and to evaluate the financial performance of the shipping corporation of India Ltd. In addition to these, a number of executives and officers like B.N. Puri, director of shipping in the ministry of surface transport, Sivraman disc officer in the ministry of surface transport, D.K. Karnik deputy manager of the shipping corporation of India have been approached and interviewed for collecting essential informations and data. Their opinion as a primary source has been used. This may help in the enhancement of scope of the study & in putting authenticity to the study.

The work of presentation of statistics, their analysis and interpretation have been conducted mainly from the secondary sources and naturally, these statistics may have some limitations because cent percent authenticity of the secondary sources cannot be ensured.
LITERATURE REVIEW

During the course of this study and completion of this thesis entitled "An Appraisal of Financial Performance of the Shipping Corporation of India Ltd" a number of books journals, research papers, periodicals, annual reports, hand books, directors reports, auditors reports, newspapers and many articles have been consulted and reviewed on the subject. Most of these books and journals have covered and depicted the role and significance of shipping transport in general and the shipping corporation of India in particular and some books have critically examined the financial performance growth and organisational structure of the shipping corporation of India Ltd.

Rao, S.L.¹ in his book entitled "Indian Shipping Industry" has analysed the retrospect and prospect of the Indian Shipping industry and briefly covers different aspects such as the evolution of the Indian Shipping industry, share of Indian Shipping in overseas trade, cargo support in other countries and its relevance to India, contribution of shipping to the national economy, strategic importance of shipping financial performance of Indian Shipping Companies, promotion of Indian Shipping etc. The book identifies and establishes certain measures which is
necessary in terms of fiscal and financial incentives and concessions to help the shipping industry in raising resources for ship acquisition programmes. This book also highlights the role played by Indian Shipping Industry in promoting exports, facilitating imports, earning foreign exchange on export trade and restricting the outgo of foreign exchange on import trade.

Trivedi, H.M.\(^2\) in his study entitled "Indian Shipping in perspective" deals with every aspect of Indian Shipping. He devoted his entire working life to shipping as associated with the premier Indian Shipping Company, Scindia Navigation Company and served as Chairman of the oldest shipping conference in the world, Minister of state in the Ministry of Shipping and Transport, a trustee of Bombay Port Trust, a director of large industrial undertakings, banks, a member of the committee of the Federation of Indian Chambers of Commerce and Industry and associated with other several important committees both


national and international. Over the years, both in the profession and in parliament, he has spoken written extensively, covering the full range of subject related to Indian Shipping and these speeches and writings have been collected in this book.

This book is divided into different sections covering major aspects of the industry such as Indian Shipping general, Indian Shipping and Conferences, Ports, Shipping Personnel etc. The articles in each sections are chronologically arranged by date. This book itself bears testimony to the continued need for rousing consciousness - in the public and in Government about the importance of Indian Shipping as a vital sector of the national economy. It also indicates possible directions of policies for the near future.

Mookerji, Radhakumud in "A History of Indian Shipping", has clearly depicted a history of the sea-borne trade and maritime activity of the Indians from the earliest times. He also high lighted the role and importance of Indian Shipping to develop trade and Commerce and to spread the Indian culture and religion to many other countries and its contribution towards Indian Civilisation.
This book also says that Indian Shipping was the Chief means by which civilisation asserted itself and influenced other alien civilisation. In the ancient period India had trade relations with every quarter of the globe, not only with the Asiatic maintained but also with Europe and Africa none side and Australasia and America on the other. He also suggests and says that it goes without saying that in the present state of things it is idle to expect that Indian industry and commerce can advance by leaps and bounds if Indian Shipping will be develop at its zenith.

N.G. Jog in his book "Saga of Scindia" has presented the position of shipping industry in India during the British period. Britishers have suppressed the all India Shipping Companies and they made their all efforts to develop their own shipping industry in India. During this juncture Narottam Morarjee and Walchand Hirachand have laid foundation of the Scindia Shipping Company to revive the Indian Shipping which was suppressed and paralysed by the Britishers. This book also tells that their foresight, their fortitude and their patriotism enabled them to


surmount the seemingly insuperable obstacles in their way and to establish this company and with it national shipping itself on a sound basis in 1919. The author has also highlighted the role and significance of shipping transport not to develop the national economy but to strengthen the national defence also.

Kirkaldy, Adam W.\(^5\) in the book *The History and Economics of Transport* has critically examined the problems of transport and its origin. He has also given the early navigation and the Commencement of modern international transport services. It also given the perfecting of the vehicle of ocean transport and economics of marine fuel.

Jain, J.K.\(^6\) in his book *Transport Economics* has given in detail the role and importance of transport in general and Shipping transport in particular in India. He has also shown the problems of Shipping transport and its development during the British period and after independence. He also laid that the civilisation and


standardisation are the off-spring of modern shipping transport which provides the luxurious and essential commodities to the nationals at cheaper rate from different countries.

Bonavia, M.R.\(^7\) has focused in his book "The Economics of Transport", on the importance and significance of transport and its distinctive role to create place utility, time utility and specialisation in production to provide efficient and sufficient means of transport. This book also gives the different means of transport and their organisation structure. It also deals with Shipping transport and its monopoly and control and coordination of different means of transport.

Srivastava, S.K.\(^8\) in his book entitled, "Economics of Transport" has shown the historical development of India Shipping and its contribution to strengthen the national economy. This book also highlights the various committees reports which were appointed time to time to develop the Indian Shipping and to increase its share in coastal trade.


and overseas trade.

Carlson & Lytzen\(^9\) have critically examined and evaluated the role and importance of shipping transport in their book "Post War Shipping" to develop the economy of a nation. Absence of a national mercantile marine adequate to carry our visible imports and exports has been recognised to be a standing weakness of our economic mechanism. An adequate shipping transport controls the drain of wealth and provides scarce goods to the nationals and raw materials and modern equipments to the producers from the different countries to make economy dependent of a nation. This book also tells that it is, therefore, necessary for new India to free from the shackles of imperialistic hold, must endeavour to equip herself with a big and efficient mercantile marine.

Bhatnagar, K.P.\(^10\) in his study, "Transport in Modern India" has critically evaluated the role and importance of transport in the economic development of a nation. The economic prosperity of a nation is known by the prosperity

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of transportation of that country. He has also given the growth and development of Indian Shipping and its effect on the fast economic development of India.

Hardy, A.C.\(^\text{11}\) has presented in his book "Sea ways and Sea Trade" a pen picture of scenes and a sketchy study of maritime trade evolution of the principal existing commodities. This book also shows the trade route, trade flow charts and artificial waterways like ship canals which have a tremendous influence on trade routes, shortening them and diverting them on account of the position of their entrances with respect to the land masses of the world. The author says that our study of seaways and sea trade is not complete with a consideration of the oceans only but also to study various river ways, river plate system and rivers tributaries. He has also highlighted the sea spirit of all nations to develop their national economy and the potentiality of shipping as an agent for international understanding.

Wilson, G. Lloyd\(^\text{12}\) in his book "transportation and

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Communication" has critically examined and evaluated the role and significance of shipping transport in shaping the economy of a nation. 2/3rd of world trade are performed by the shipping and it is also a good earner and saver of foreign exchange. This book also sketches the water transportation system in the United States and its contribution to make economy prosperous to boost up trade and commerce. It also deals with type of vessels and tonnage measurement, shipping documents and marine insurance, theories of water freight rates and charges, Port, Port Services and Charges, aid and development of water transport etc.

Dev, Arun\(^{13}\) has highlighted the role of water transport and its contribution to world civilisation. In his book "The Story of Civilisation" Vol.1 Clearly shows that all the Civilisations of the world have developed on the different banks of rivers and seas. He has also described the contributions of shipping transport in such civilised development.

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Rao, T.S. Sanjeeva\(^{14}\) in his "A Short History of Modern Shipping" has shown a historical development of Indian Shipping and a comparative study of Shipping transport and economy of the country. He has also given the shipping development in ancient period and its role to capture the world market. In British period our shipping was suppressed and we became dependent on others. After independence our shipping was revived gradually and now it share 38 percent of total export import of the country.

Fair & Williams\(^{15}\) have studied in "Economics of Transportation" to analyse the function of transportation in the economic system and its contribution to the evolution of the modern economic and social order, the nature of demand for and supply of transportation, the development of transport facilities, services and rate structures in response to economic and governmental influences, and the considerations involved in the evolution of an integrated transportation service. This book also highlights a brief survey of the growth of the modern modes of transportation and developments, framework

\(^{14}\) Rao T.S. Sanjeeva: A Story of Modern Indian Shipping

of the social and economic functions of transportations and their application in the development of a national economy. The elements of demand for and supply of transportation service are critically reviewed.

Weslmeyer, Russell E.\(^\text{16}\) in his book "Economics of Transportation" has critically evaluated the importance of improved transportation in the development of the economy of a nation and its complexity and perplexity in the transportation growth and suggestions to overcome the problems and government policy to develop a sound national transportation system to use their best advantage. This book also shows the development and economics of domestic water transportation, regulation and some problems and policies of domestic water transportation.

Gibson, Ivancevich and Donnelly\(^\text{17}\) have attempted, in their book "Organisation", to cope with problems of organisational development and organisational effectiveness. They suggest that organisation will continue to remain effective only if they are able to develop feasible


guidelines to deal with these various structural, process and behavioural problem areas. This book also highlights the study of organisations in different settings and many theories, research findings and their practical applications to different types of organisations.

Koontz & Donnel in their book entitled "Essentials of Management" have given the organisation theories and organisation structure. This book also discussed the various aspects of organising.

Kuchhal, S.C. has given various parameters to measure the financial performance of enterprise. In his study he has critically evaluated the financial performance through the financial analysis. The financial analysis is not an automatic or standardized process but a flexible approach tailored to the needs of a specific situation. The main purpose of financial analysis is to search for reasonable clues and answers to definite questions.

VanHorne, James C.\textsuperscript{20} in his book "Financial Management and Policy" has developed an understanding of the rapidly evolving and exciting theory of finance to evaluate the firm's investment, financing and shareholders wealth. For a critical evaluation, analytical techniques are applied to depict the capital structure of a firm, the major sources and uses of funds, its profitability over time and projection of future profitability.

Sharma & Gupta\textsuperscript{21} have made a study on "Management Accounting, Principles and Practice" to evaluate the financial performance of enterprise to use various analytical techniques. This book also gives various tools and techniques to measure the short run financial performance as well as long run financial performance. To measure the short run financial performance, liquidity ratios like current ratio, quick ratio and absolute Quick ratio are used and for long run financial performance, debt equity ratio earning per share, return on capital employed etc.

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Vandell & Coleman\textsuperscript{22} in their book "Case Problems in Finance", they have given a wide variety of financial problems and business situations. In this book, the problems have been drawn from most of the major areas covered in financial courses.

Podmanabhan, R.\textsuperscript{23} has described in his article "Government Policy on Shipping" the government has liberalised the shipping policy to privatise the Indian ports and to give freedom of ship owners to purchase and sale ships without getting permission.

Desai, B.H.\textsuperscript{24} in an article entitled "Urgent Need to Strengthen our Shipping to Meet Prevailing Crisis" has stated that globalisation of shipping industry made it more competitive and to survive in the world market, there is "Urgent Need to develop and make it more competitive to face the world competition and maintain its flags on overseas trade.

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Pandit, B.B.\(^2\) in his article "Problems of Coastal Shipping" has examined the various problems of Indian Coastal Shipping which act as impediments in the way of development of coastal shipping. To develop our domestic trade there is need to develop our coastal shipping in full length.

Padhakrishnan, P.P.\(^2\) in his article "Ship Acquisition: The Wind of Change" has outlined various government policies like liberalisation in ship acquisition policy, various soft loan scheme, to provide foreign exchange to acquire foreign modern ships which are able to share overseas trade to provide efficient and sufficient services to the overseas traders.

Khaneja, S.R.\(^2\) in his article, "Globalisation of Shipping Industry" has pointed out that the new industrial policy of India has provided sufficient scope for opening up the economy and allowed private participation in major


public sector with reasonable packages which has brightened the chances of foreign investment in the country. He has also highlighted the liberalised import/export policy adopted by the nation which increased foreign participation in the Indian market and industry and brought a sea change in our import/export scenario embracing sea borne traffic and this globalisation of shipping industry would create competitiveness in the industry.

Dattatreyulu, M.\textsuperscript{28} has stated in his article "Establishing Free Port in India" to privatize the Indian port to invite foreign investors with new technologies to open up the Indian economy. This article also states that foreign exchange can be earned in the form of port charges by providing a Free Transit Port and Creation of entertainment and creation infrastructure and duty free shopping centres encourage the flow of tourists which result in substantial incomes in foreign exchange.

Rai, R.L.\textsuperscript{29} in his article "Investment in Shipping Needs Fresh Stimulus" has critically examined the effect of

\textsuperscript{28} Dattatreyulu, M.: Establishing Free Port in India, Indian Shipping, Bombay, Vol.46, No.1, p.15.

\textsuperscript{29} Rai, R.L.: Investment in Shipping Need Fresh Stimulus, The Economic Times, New Delhi, Thursday 1 April 1993, p.III.
liberalisation and globalisation. Shipping is a capital incentive industry and its turnover to assets ratio is very low compared to any other industry. Given a set of investment options, shipping falls into a low priority. He has also observed that Indian Shipping will now face a new set of challenges where the fundamental of market driven economics will decide how effectively the industry can survive and profit in an international arena. In this article he has suggested some financial incentives packages to the investors who will invest in shipping industry.

Shah, Y.S.\(^{30}\) has stated in his article entitled "Ship Finance - a Perspective of Indian Shipping" that the Indian Shipping industry has been of fundamental importance to the growth of Indian economy and has been a net earner/saver of much needed foreign exchange. On the other hand Indian Shipping has no place on overseas trade and it needs huge investment to compete in the world market. In this article Mr. Shah has given various suggestions to make shipping industry attractive to lure investors to invest in this sector.

Kumar, B.S.\textsuperscript{31} in his article "Liberalisation of Shipping Policy" has described new policy of government in which shipbuildings are given various subsidies, soft loan and exempted from local taxes to reduce their operating cost and to increase their working capital. Indian Shippers and crew are also exempted from local income taxes.

Nayak, Gayatry\textsuperscript{32} has highlighted in his article entitled "Coastal Shipping Continued Neglected" the causes of retarded development of coastal shipping like lack of modern computerised communication system, inadequate light housing, inadequate minor ports etc.

Sheth, K.M.\textsuperscript{33} in his article "Indian Shipping Prospects and Challenge" has shown the various problems of Indian Shipping and said that these problems are a challenge for good prospects of Indian Shipping.

Rajwar, I.M.S.\textsuperscript{34} has stated in his article "Trends in Indian Shipping" the history of Indian Shipping. He has

\textsuperscript{31} Kumar, B.S. Liberalisation of Shipping Policy, Indian Shipping, Bombay, Vol.44, No.10, 1992, p.16.

\textsuperscript{32} Nayak, Gayatry: Coastal Shipping Continued Neglected, The Economic Times, New Delhi, 4 April, 1991.


shown past history of Indian Shipping and its impact on Indian economy and also made the comparative study of the present position of Indian Shipping and its present impact on the Indian economy.

Radhakrishnan, P.P. has focused in his article "Developing Nations at a Disadvantage in Global Shipping Sweepstakes" that any country sourcing technologies from other nations would always lag by a generation to imitate the technology and all the developing countries imitate the technology rather than generation like India and Indian Shipping has lagged behind in case of containerisation technology. In this article it has been also pointed out that the share of developing countries in general in the transportation of their cargoes is similarly poor due to poor technology and developed countries cultivate handful profit to capture the overseas trade to use their developed and new technology.

Brauner, Alan is a ship finance consultant of London and presented his paper at workshop organised on

35. Radhakrishnan, P.P.: Developing Nations at a Disadvantage in Global Shipping Sweepstakes, The Economic Times, New Delhi, Thursday 1 April, 1993, P.I.

"Maritime Transport" held in Bombay in January 1994. The aim of his paper is to discuss the source from which money is derived and the mechanism for making it available to potential shipping investors. He has given many ship financing packages and financial structures available for financing merchant ships. In his paper he given eleven key points in a commercial "term loan" facility to the merchant ships.

Fotedar, H.N.\textsuperscript{37} has given in his article "Modernisation Holds Key to Improved Ports' Performance", the technology replaced the manual labour and some are computerised and these improved the performance of ports and met with large and quick demand for handling the traffic to use the maximum capacity of ports. He has also highlighted some ports are using automatic system of loading and unloading of cargoes.

Sanklecha, Dr. S.N.\textsuperscript{38} in his article "Need to strengthen Infrastructure in the context of Globalisation

\textsuperscript{37} Fotedar, H.N.: Modernisation Holds Key to Improved Ports' Performance, The Economic Times, New Delhi, Thursday 1 April 1993, p.III.

\textsuperscript{38} Sanklecha, Dr. S.N.: Need to Strengthen Infrastructure in the Context of Globalisation of Shipping' Indian Shipping, Bombay, Vol.46, No.4, p.11.
of Shipping" stated that an organisation of developed countries referred to the principle of free circulation of shipping in international trade in free and fair competition based on a market mechanism governed by commercial considerations and not being hampered by any administrative measures or legislative provisions in favour of the national flag. He has also pointed out that there is tough competition among the shipping industries and to survive and sustain on overseas, there is need to strengthen infrastructure to meet or face the open competition with the developed countries shipping which are highly modernised and mechanised.

Tytler, Jagdish, a Minister of state for surface transport Government of India, in his inaugural address at the India workshop on "India Maritime cooperation" held in Bombay in January 1994, has stated about the liberalisation policy of Indian economy and the investors are invited from the European Economic Community to invest in various economic sectors including Indian Shipping industry. He has also pointed out that shipping

industry has been completely liberalised and de-regulated and the following steps have already been taken:

i. Automatic approvals are deemed to be given to:

(a) Acquisition of all categories of ships by private shipping companies, except for crude tankers OSV.

(b) Sale of Ships.

ii Sale proceeds of Indian Ships abroad can be retained for utilisation for fresh acquisitions.

iii Time charters of Indian ships abroad require no government permission.

iv Shipping Companies can acquire vessels by the charter-cum-demise method.

v. Liner routes where existing companies do not operate have been thrown open to all Indian Shipping Companies.

vi Slotting Committee for ship repair has been abolished and the Reserve Bank of India permits foreign exchange for ship repairs or dry-docking and spares without any value limits.

Recently, Asian Institute of Transport Development (AITD) has made a study on the national shipping industry. The study has been prepared by Mr. L.M.S. Rajwar, Managing Director, Indian Steamship Company, Mr. B.N. Puri, Director (Shipping), Ministry of surface Transport,
Mr. K.L. Thaper and others under the general direction of Mr. Hiten Bhaya. In this study, an attempt has been made to review the growth of Indian Shipping, the role which the government has played in the past in the development of this sector, the changes that are taking place in the world scenario and the policy measures required to achieve self-sustained growth of Indian Shipping in the global context.

Dr. Abid Husain, President of the Institute observes in this study that it identifies critical issues and lays down a broad framework for its future development as an efficient carrier of our trade. It rightly pleads for a level playing field for the Indian Shipping, keeping in view its international dimensions. It also brings into sharp focus the prevailing structural and other weaknesses of the industry and suggests appropriate remedial measures.

The study also makes a significant contribution to understand the problems of Indian Shipping Industry and it is hoped that this would lead to the concretisation of a sound shipping policy and pragmatic action plan for its self-sustained growth. Following are excerpts from the study on shipping policy in new economic context and framework for creating a level playing field. The old
shipping policy, which provided the basis for development of national shipping for about four decades, has been eroded because of the new forces which have been unleashed. Consequently, while old supports are contracting rapidly, no new policy with clear-cut objectives has taken its place. The urgency is all the more. When the Indian Shipping industry operates under some constraints either due to certain obligations placed on it through government policies or some special disadvantages suffered by it vis-à-vis its foreign competitors. Laying down a policy by the government does not necessarily imply commitment of government funds but it does place the onus of implementation of the policy on the government through such regulatory and other instruments strategic as well as tactical as the situation demands from time to time. This policy should spell out explicitly the objectives and also the policy instrument to be adopted for achieving those objectives. At a generic level, the objectives of both trade and shipping policies are somewhat identical in the sense that both sets of policies have certain common economic goals, such as improving balance of payments, increasing employment and promoting economic growth. Among the various facets of economic reforms, the one that has
received much emphasis is market orientation. Therefore, this feature should be reflected in the policy framework of the shipping industry.

The Shipping policy should serve the following broad objectives:

(i) it should provide for the expansion of shipping services and a strategy for the development of national shipping industry;

(ii) it should enable a healthy competition in the provision of Shipping facilities;

(iii) it should create as level a playing field as possible enabling the Indian Shipping industry to compete with its foreign competitors on fair terms, and

(iv) it should provide for a regulatory mechanism for the efficient functioning of shipping services.

For achieving the above objectives, the national shipping policy should, first of all, set out a strategy for restructuring the shipping sector along with a time-frame indicating the nature and pace of the restructuring process. The relative roles of the public and private sectors, the scope of disinvestment or privatisation of
shipping and related activities, the type of economic incentives structure for promoting restructuring in the shipping sector, changes in the organisational structure of public sector shipping and a similar issues are best viewed as subsidiary policy instruments of the over-all national shipping policy.

The shipping policy has to outline the strategy for modernisation of the shipping fleet in terms of improving its operational efficiency and the provision of better infrastructure and communication facilities. The modernisation of shipping fleet is intimately connected with the modernisation of port facilities and, hence, a coherent strategy has to be evolved for both the sectors. The Shipping policy has also to give attention to technological upgradation of ship repair air and maintenance services.

It is important to point out in this context that the entry of the public sector in shipping by setting up the shipping corporation of India in 1961 was primarily intended for expansion of national shipping at a time when the companies in the private sector were not in a position to expand their own fleet. This objective has been achieved
is evident from the fact that the shipping corporation of India is now one among the largest shipping companies in the world. Having fulfilled this promoted role, it stands to reason to suggest that the government should opt a role as enabler and facilitator of a healthy private sector and as regulator to ensure realisation of national shipping policy objectives. Equally necessary is to meet the challenge of the international competition by giving greater attention to modernisation of the fleet, development of multimodal transport and balanced development of shipping.

At last this study has given some specific suggestions to create as level a playing field as possible for the Indian Shipping industry and to remove the existing weaknesses of the industry.

**TAXATION** As an international industry, which does not enjoy the benefit of a protected domestic market and in which fields are traditionally low, the shipping industry will find it almost impossible to generate internally and to attract externally huge financial resources required to modernise and expand the national fleet. Consequently, taxation policy needs to be changed in relation to the shipping
industry, and in respect of investors and seafaring personnel connected with it. In the global context, 41 percent of the world shipping tonnage is exempt from tax liability. Thus, more than 75 percent of the world's shipping, with which Indian Shipping industry has to compete, enjoys tax exemption or tax concessions. Indian Shipping deserves to be given special tax treatment taking into account the following special factors: (i) The importance of the industry as a handmaiden of foreign trade, its contribution to the balance of payment and its strategic dimension. (ii) The intrinsic nature of the industry which is capital intensive and where yields capital output ratio is low. (iii) Shipping is an international industry without a protected domestic Indian market. (iv) The bulk of the world shipping industry operates on the basis of tax exemptions or tax concessions.

DEPRECIATION - At present depreciation for income tax purposes is set at 20 percent on the written down value. One fourth of this depreciation is to be parked in a capital reserve fund. Because India can not match other countries in some areas, like cost of capital, etc. serious thought needs to be given to permit higher depreciation to
the Indian Shipping industry. There is a strong case to increase depreciation to 33-1/3 percent of the written down value which will ensure recovery of investment in 7 to 8 years, generally regarded as an international norm.

TAXATION OF MARITIME PERSONNEL - As has been stated earlier, Indian maritime personnel are in great demand abroad and the numbers serving on foreign ships are more than those serving the Indian flag. Migration of trained manpower has caused shortage of officers on Indian ships which are sometimes held up for want of officers. The hidden cost in terms of inefficiency and inadequate maintenance of ships is very much higher. Indian personnel serving on foreign ships do not pay income tax and this situation can never be matched by Indian Shipowners which puts them at a great disadvantage. A decision to exempt the personnel manning Indian ships from Income tax should be taken urgently.

TAX INCENTIVES TO INVESTORS -- The cost of capital in India is much higher than in most other maritime countries. Indian investors investing in equities also expect a much higher return than investors abroad due to returns available in other industries in India. To enable capital
to flow to the shipping industry, tax incentives to investors should be seriously considered.

**SPECIAL INTEREST TAX**—A new system was introduced sometimes back according to which Indian financial institutions have started levying a special interest tax on the interest paid to them under the plea that the financial institutions are required to pay such a tax and, therefore, they are passing on the burden to the borrower. This has made the cost of finance even higher for an Indian Shipowner. Since he has to compete with foreign shipowners with a much lower cost of financing, consideration should be given to the withdrawal of special interest tax in respect of loans advanced to the shipping industry.

**PARI-PASSU OBLIGATION**—The government has laid down a pari-passu obligation which requires an Indian Shipowner to place orders with Indian Shipyards in return for government permission for acquiring ships from abroad. As a result of pari-passu obligation, which has been inforce since 1977, several Indian shipping companies are required to acquire indigenously built ships. The acquisition of indigenously built ships at prices are much higher than the prices of comparable ships in the international market, is bound to
strain working of the Indian Shipping Companies. It is estimated that the prices paid to Indian Shipyards are 30 to 40 percent higher than those of foreign built ships. Indian Shipyards quote much longer delivery periods than the foreign yards and in the process, the Indian Shipping companies miss out the opportunity to deploy ships earlier. Recently, the government has announced a new pricing policy for shipyards in the public sector. According to this policy, the price of vessel built in these shipyards will be determined on the basis of lowest price offered through an open global tender.

The shipping industry should have the necessary flexibility so that it does not miss out on commercial opportunities in the international market and is able to time ship acquisitions and disposals judiciously.

Apart from these many other committees reports and recommendations like Mercantile Marine committee report and recommendation of 1923, Select Committee report of 1928, C.R. Ramashwami Aiyer committee report and recommendation of 1945, Asian Development Bank (ADB) Report, COMET (Committee on Maritime Education and Training) recommendations, ISF/BIMCO (International Shipping
Federation and Baltic International Maritime Council) report, MOU (Memorandum of Understanding) report, books, journals, Magazines, periodicals, handbooks, annual reports, newspapers, many other articles provide adequate subject matter to complete the work. Many researchers have worked on various aspects of shipping transport but no one has touched the Shipping corporation of India which is a sunrising and growing sector which takes a lion share of Indias exports and imports. The main thrust of this work is to critically examine and evaluate the financial performance of the shipping corporation of India Ltd.

CONCLUSION

It may be conclude that the chapter has presented the main thrust and objectives of the study and conceptual framework of the whole study. It has also discussed the meaning of financial performance and different parameters which might help in a critical evaluation of the financial performance of The Shipping Corporation of India.

In this chapter, the hypothesis has also been stated in brief which is adopted to carryout this study. It has

also discussed the different sources and methods of data collection for carrying out this study under the research methodology adopted. Finally, the chapter has critically reviewed the literature available on the subject. In the next chapter an attempt will be made to examine critically the growth and organisational structure of the shipping corporation of India Ltd.