CHAPTER - 3
3. OBJECTIVES, SCOPE AND LIMITATIONS

In this chapter, we have defined the need for this study and objectives to be achieved through it. India-CIS trade has been increasing in the past few years. To make it more attractive, logistics cost has to be decreased. It can be done by finding the viability of land route through India and CIS countries. We have first tried to understand the composition of supply chain between India and CIS countries with respect to transportation. The next step is to find out various land routes which can be possibly used in India-CIS trade. These land routes have to be compared based on reduction in cost, distance, time, security etc. to come up with the best alternative. Payment procedures have also been analyzed to find out the deficiencies in the payment systems and how they can be streamlined to make them hassle free thereby encouraging more number of traders to participate in Indo-CIS trade.

A cut in transport costs will make Indian goods cheaper and, therefore, more competitive in CIS countries as well as European markets via Russia. The land route will not only boost India's trade with CIS countries and Iran but also that with the Baltic States and the Central Asian Region.

There can be more than one possible land route between India and CIS countries. Prior studies have not covered all the possible routes for their analysis. We propose to cover all the possible and viable routes for our analysis and then we would propose the best possible route which would be best in terms of reduction in cost, time, distance etc.

In order to do so we have set the following objectives of the study.

a) To study the composition of supply chain between India and CIS countries with respect to Transportation.

Transportation is an essential and a major sub-function of logistics that creates time and place utility in goods. In fact, the backbone of the entire supply chain is the transportation management that makes it possible to achieve the well known seven
Rs- the right product in the right quantity and the right condition, at the right place, at the right time, for the right customer at the right cost.

The importance of transportation should also be seen by looking at its impact on a country's economy. The major infrastructure required for moving goods from one place to another in India involves the active roles of roads, road freight industry, railways, ports and shipping, and pipelines, all of which are either managed or regulated by the government.

The deficiencies in the road network in India are causing huge economic losses because of slow transportation. The delay on the roads and ports also results in high inventory cost for the industry, thus affecting its competitiveness vis-à-vis international industry operating on JIT (just-in-time) principles. The congestion at the ports and the insufficiently developed air services also affect foreign investment decisions, which often place a great premium on the infrastructure. International trends indicate that with the growth of the highway and aviation technologies, the traffic tends to shift away from the Railways. However, in the continental economies like United States, China and Russia, the Railways have maintained their dominance. India's size, geography and resource endowments also mandate a dominant role for the Railways, not to mention the environmental considerations, which in recent years have caused a rethinking even in the developed world.

**b) To study the viability of land route from India to CIS countries**

Land route development is a critical issue for both India and CIS countries. The reason behind is the reduction in cost and time taken for the goods to reach the destination. Currently the route followed by the traders is multimodal. It is a mix of air, sea and land routes. While air route is very expensive, sea route is both costly and time consuming. Air route takes very less time but given the pricing mechanism of products if the quantity traded is not high the per unit air fare becomes very high. For sea route, on the other hand, the time taken is very high as generally the route which is taken is a very long one and also the insurance costs makes the shipping even more expensive option.
A land route between the regions would help Afghanistan and Pakistan benefit from the trade between Central Asian States and India. The trade route would not only generate substantial income for the cash starved Afghan Government, but it will also help improve Pakistan's relation with arch rival India as well as with CIS countries.

For Afghanistan, the issue of having a land route to India is more urgent: India used to be Afghanistan’s largest trading partner until 1979. Revival of land trade route would bring much needed cash into Afghanistan, providing a push to the economy and a vote of confidence in a country brutalized for years.

A viable and all time running land route would boost the trade dramatically. It would help India strengthen its trade relationship with CIS countries as well as countries like China and Pakistan. It would be a positive step towards better relations with the neighbours.

c) To study payment procedures followed in trade between India and CIS

Here the attempt is to study the current payment systems in practice in CIS countries. A detailed study of the legal payment systems like cash in advance, consignment sales, letter of credit etc is to be done. There is abundant trade which is taking place through Hundi system. The existence of such system along with the need of same has been studied in detail.

The primary purpose to study various payment procedures is to find out the deficiencies in the payment systems and how can it be streamlined to make it hassle free thereby encouraging more number of traders to participate in Indo-CIS trade.

SCOPE OF THE STUDY:

The study is restricted to the transportation of commodities and goods from India to CIS countries. Not withstanding the restricted scope of the study, it will help in identifying weaker areas of the supply chain in terms of transportation from macro as well as micro view points and recommend suitable strategies. There are many things to be seen in case of transportation to CIS countries. On the surface these things might look small but they affect trade practices heavily. How an issue of
custom practices in India and CIS affect the trade volume is a case in point. Another example could be viability of land route which is very important aspect to study. We would propose multiple land routes from India to CIS and compare them on factors like cost reduction, time reduction, feasibility, safety etc to find out which of them is best suited for trade.

LIMITATIONS:

Major limitations were non availability and reliability of corporate data. Non availability of a database having the details of firms trading with CIS countries was a major limitation. Many a time, corporates were not ready to reveal trade related information/data as they suspect the motive of survey. On the other hand there are many traders who are comfortable with these kinds of surveys but still hide many trade related useful information. In such cases it is difficult to check the authenticity of the data.

To overcome the possible limitation of paucity of reliable data extensive literature survey consisting of several journals, articles and internet was commissioned. This has enabled us to get the required data such as quantum of trade between India and CIS, existing land routes, payment system used in India-CIS trade etc.