CHAPTER - 4
4 METHODOLOGY

The idea behind this study was to collect information from traders who are currently operating in this arena. This is supposed to bring depth and authenticity to the study. Secondary sources of information were also used in doing the study. The information collected from these traders on the basis of their experience in the field of export and import. This formed the primary source of information for the research. Secondary sources of information like journals, white papers, research articles etc were also used in doing the study. Online resources were one of the most used medium for the research. To collect the data from the respondents, a scientifically designed questionnaire was used. The preparation of questionnaire was done in such a way that it covered all the queries relating to the objectives of the research.

As mentioned in the Limitation section above, to overcome the problem of non-availability of any organized database of firms trading with CIS it was decided to conduct a primary survey among the practicing traders (importers and exporters). This study has covered 57 respondents in four cities across India namely, Delhi, Kolkata, Mumbai, and Bangalore. Apart from direct exports, indirect exports (e.g via a third country) have also been seen at the time of interview. The feedbacks from the exporters and importers have been gathered with the help of structured questionnaire. The major variables addressed in the questionnaire were the mode and process of export & import and associated time and other problems apart from general profile of the exporter or the importer. These include various infrastructure and logistics apart from extra transaction cost incurred by the trader due to various procedural measures and malpractices on part of some government authorities. Total supply chain of some of the products for some of the exporters and importers has also been studied in detail. The explanation of each and every variable which has been included in the questionnaire has been dealt in great detail in the study. It is also explained why the particular variable was chosen and what significance it has on the whole supply chain management.
Primary sources of information

a. Survey of 57 respondents
b. Questionnaire

Secondary sources were also used to collect data for CIS countries as already mentioned.

4.1 Sampling

The initial step was to generate database of exporters and importers having trade relations with CIS countries. The identification process started with internet search. The search through net helped in identifying companies trading with different CIS countries, though the number was very small. When contacted these companies through telephone majority of them reported that they used to trade with CIS countries long time back and some of them denied any trade relation with CIS countries.

As the second step, the researcher contacted the relevant industry associations such as Confederation of Indian Industries (CII), Federation of Indian Chambers of Commerce and Industries (FICCI), PHD Chamber of Commerce and Industry (PHDCCI) were identified as a starting point for the study. Also a database was purchased from Federation of Indian Export Organisation (FIEO) containing the list of Indian companies involved in export and import. But the data had only few firms dealing with CIS.

The researcher also identified the relevant export promotion bodies (in Delhi, Mumbai, Kolkata & Bangalore) like FIEO, Indian Tea Association, Chemicals and Allied Products Export Promotion Council, Engineering Export Promotion Council, Agricultural and Processed Food Products Export Development Authority (APEDA), Soyabean Export Promotion Association (SOPA), Rice Exporters Association and Bombay Chamber of Commerce. Researcher obtained a list of a few exporters from APEDA having trade relation with CIS. But when these exporters were contacted almost all of them denied that they were trading with CIS.
Majority of the exporters and importers were identified through references from the researcher interviewed. For example, researcher met an exporter in Delhi who provided with a list of around 10 Exporters and Importers trading with CIS. Similarly in cities like Mumbai, Kolkata and Bangalore, references from the near target respondent played an important role in generating the database of exporters and importers trading with CIS.

Non-availability of any organized database of firms trading with CIS acted as a major hindrance in carrying out the primary survey. Also, several respondents were reluctant in providing certain information as they were apprehensive that the information could be used against their business interests. Apart from exporters and importers having trade relation with CIS, researcher also included custom house agent (CHA) / Clearing Agent as the target respondents. The CHA's & Clearing agents were selected based on references from exporters / importers and other industry sources.

This is an exhaustive study covering 57 respondents in cities of Delhi, Kolkata, Mumbai, and Bangalore having trade relations with CIS countries. Apart from direct exports, indirect exports have also been studied at the time of interview.

The feedbacks from the exporters and importers have been gathered with the help of structured questionnaire. The major issues addressed in the questionnaire were the mode & process of export & import and associated time and other problems apart from general profile of the exporter or the importers. These include various infrastructure and logistics apart from extra transaction cost incurred by the trader due to various procedural measures and malpractices on part of some government authorities.
4.2 Description of variables used in questionnaire

The following are the variables which have been analyzed in this section. Each variable has been picked up with a purpose which has been explained below.

4.2.1 Nature of Business

This is an important variable as it covers all the businesses related to trade. Almost all the businesses have been covered under this head. The reason behind having so many businesses representative in the questionnaire is that it brings diversity to the data and helps in understanding the differences in the business practices across the type of trades. Main lines included under this are the following:

Manufacturing/processing exporter

Exporter is a party which is responsible for exports of goods. In this head, we have considered only those exporters who are either manufacturer exporter or processing exporter. This means that the exporter either manufactures the product himself or he processes the semi finished part and then exports it. There is some value addition which takes place at the site of exporter.

Trading/ merchant exporter

This exporter does not add value to the raw materials. He just indulges in the trading part of the products. They either get the manufacturing done by someone else or they serve as a specialized service firm which provides export services. Even a manufacturer who has not ventured out yet if he wants to export can also contact these exporters and they do the same on margin basis. Also it is profitable for them due to their expertise in the area and also the scale of operations in which they deal in. The export merchant usually specializes in a particular line of products and/or in a particular geographical market area. Sometimes it sells the goods with the original supplier's labels or puts its own label.

Export Agent

The function of the export agent is to appraise the export potential of the local manufacturer's products, advertise them abroad, look for foreign buyers, obtain
export orders, and advise on, or arrange for, the documentation, shipping and insurance once a sale has been made.

**Importer (actual user)**

This is the party responsible for importing goods. Under this head only those importer have been taken who import for their own use. They may be some importer who import raw material and then do the value addition to the product at their site and sell it in the domestic market.

**Importer (trader)**

Importers solely import goods for resale to other companies in the distribution chain and take legal possession of goods. Importers/distributors take legal possession of goods and pay exporters. They are usually obliged under the terms of their agreement with exporters to carry stocks and to provide after sales service where necessary.

**Freight forwarder**

They act as a very important arm to the trade business so it was imperative to include freight forwarders in the questionnaire. A freight forwarder organizes the safe, efficient movement of goods on behalf of an exporter, importer or another company or person and sometimes deals with packing and storage. Taking into account the type of goods and the customers' delivery requirements, freight forwarders arrange the best means of transport, using the services of shipping lines, airlines or road and rail freight operators. In some cases, the freight forwarding company itself provides the service.

An international freight forwarder is an agent for the exporter in moving cargo to an overseas destination. These agents are familiar with the import rules and regulations of foreign countries, the export regulations of the Indian government, the methods of shipping, and the documents related to foreign trade. Export freight forwarders are licensed by the International Air Transport Association (IATA) to handle air freight and the Federal Maritime Commission to handle ocean freight.
Freight forwarders assist exporters in preparing price quotations by advising on
freight costs, port charges, consular fees, costs of special documentation, insurance
costs, and their handling fees. They recommend the packing methods that will
protect the merchandise during transit or can arrange to have the merchandise
packed at the port or containerized. If the exporter prefers, freight forwarders can
reserve the necessary space on a vessel, aircraft, train, or truck. The cost for their
services is a legitimate export cost that should be included in the price charged to the
customer

**Clearing agent**

They provide following services and form a very important part of the trade business

- Air freight forwarders
- Cargo clearance services
- International freight forwarders
- Air freight forwarding
- Freight forwarding service

4.2.2 Trade profiling

Trade profiling of the business has been done. It is based upon the two components.
Firstly the profiling is done for products. Here top three products under each heading
have been taken. The next profiling is based upon the markets. It takes into account
top three markets for trade.

4.2.2.1 Trade profile product wise

Product wise profiling is done to understand the basket of products which is being
handled mostly. Also it helps in deciding whether the businesses are single product
oriented or well diversified. This particular profiling asks the business which is
happening through CIS countries only be it import or export. Firstly it asks about the
total exports which has subheading of direct and the indirect exporting. The same
heads are repeated for the imports. Heads like direct and indirect exports basically
help in understanding the mode of export as in what is preferred more in the trading
community. The definitions of direct and indirect exports are under:
**Direct exporting:** It means selling goods to foreign buyers without the intervention of an intermediary. Direct export of its products offers a company greater control over the entire export transaction and entitles them to greater benefits. However, these profits are accompanied by a cost – the company needs to invest far greater resources and put in a lot more efforts.

**Indirect exporting:** It means selling goods to foreign buyers through intermediaries such as export agents, export merchants or buying houses. It requires less marketing investment, but loses substantial control over the marketing process.

**4.2.2.2 Trade profile market wise**
This particular variable tries to get the market concentration or the preferred locations for trade amongst businesses. Here top three markets are to be specified by each person and also thereafter they have to tell how much business is generated through CIS countries (in percentage terms). This helps in knowing the current situation of trade with CIS countries.

**4.2.3 Code/description of export/import item**
This is very important variable to understand as it points out how well versed the Indian businesses are in dealing with the global practices. It is important for them to understand these codes and descriptions of products but mostly the businesses are small and family run. So they don’t have expertise to deal with such things. Also the subsequent questions on this variable clearly give an option to describe the kind of problems which are faced. Also the nature of the problems can be understood with its help and solutions for the same can be worked out. This variable also points out the gaps in trade which are not yet resolved because of these stringent laws of codes and description. These codes and description form a very important part when a goods is exported or imported. Sometimes difficulty in understanding the codes as in to which level the code should be applied or in some cases not finding appropriate code might become difficulty in trading. Also item descriptions are generally limited to 120 characters.
4.2.4 Source of Information regarding trade

This variable is important in the sense how much efforts are put in to smoothen up
the supply chain. As information forms a very important part of any supply chain
this variable becomes very important and shows the activeness of the businesses to
achieve the information. The following options have been provided under this
variable:

1. Indian government
2. CIS government
3. Indian Chambers of Commerce
4. CIS chambers of Commerce
5. Indian newspapers
6. CIS newspapers
7. Indian government website
8. CIS government website
9. Private website
10. CIS trader
11. Indian trader

Apart from the activeness of businesses it also shows the effort on part of India and
CIS as in how serious are they in disseminating the information as it is very critical
tool in present scenario where both the regions want high trade volumes.

4.2.5 Customs formalities for exports

Goods meant for exportation out of the country attract certain customs formalities.
For clearance of the goods for export, the exporter or his agents have to undertake
the following formalities:

1. Registration
2. Registration in the case of export under Export Promotion Schemes
3. Processing of Shipping Bill – Non-EDI
4. Processing of Shipping Bill – EDI
5. System Appraisal of Shipping Bills
6. Status of Shipping Bill
7. Customs Examination of Export Cargo
8. Variation between the Declaration & Physical Examination
9. Stuffing / Loading of Goods in Containers
10. Drawal of Sample
11. Amendments
12. Export of Goods under Claim for Drawback
13. Generation of Shipping Bills

4.2.6 Customs formalities for imports

Goods imported in an aircraft /a vessel attracts customs duty and customs clearance formalities of the landed goods have to be followed by the importers. For the goods which are offloaded, the importers have the option to clear the goods for home consumption after payment of the duties levied or to clear them for warehousing without immediate payment of the duties leviable in terms of the warehousing provisions built in the Customs Act. Every importer is required to file, in terms of the Section 46 of the Customs Act, 1962, an entry (which is called Bill of Entry) for home consumption or warehousing in the form as prescribed by regulations.

1. Under Manual Procedure
2. Under EDI
3. Assessment
4. EDI Assessment
5. Examination of goods
6. Green Channel Facility
7. Payment of duty
8. Amendment of Bill of entry
9. Prior entry for Bill of entry
10. Specialised Schemes
11. Bill of entry for Bond warehousing
12. Abandoning of Imported Goods
13. Customs Clearance for food items, live stock products, plant and plant materials etc.
The PFS Order, 1989
16. The Livestock Importation Act, 1898
17. Customs Clearance Procedure for Food Items
18. Customs Clearance procedure for Livestock Products
19. Plant/Plant Materials for Sowing/Planting/Propagation/Consumption

4.2.7 Inspection

The export inspection agency conducts pre-shipment inspection of the goods notified for compulsory pre-shipment inspection of export goods. The agency issues a document called certificate of inspection. In case the goods are not subject to inspection by the export inspection agency or the buyer does not require inspection through the agency then the exporter has to get the inspection done through private inspection agency or through any other arrangement for inspection agreed between the exporter and the importer.

Example of inspection for dried fish maws is given in Appendix 5. The example clears the intricacies involved with inspection procedures. Many a times it may happen that for one product inspection by Indian agencies is accepted in CIS countries and for the other it is not. These kinds of issues create hurdles in movement of product and create loose points in the supply chain. So the study of such variables becomes important and relevant.

4.2.8 Modes of transport

This variable has been covered in great details in the questionnaire. The reason behind this was there has been an effort put in to find a new land route from India to CIS countries. Right now for most of the trade one or part of route is air and sea. These modes become very expensive. As the products being targeted are non-branded so the pricing is also somewhat modest as the brand value is not attached to the product. This way taking the air or sea route becomes very high. Another thing is that the insurance cost is very high in air and sea routes.

Benefits of using land routes:
With the new WTO regime it can be expected that subsequently the land route between the countries will open up and will become basis for healthy relations between the countries. This would also make it possible for cheaper mode of transport and convenient if coupled with the latest technologies like GPRS systems.

Also it takes longer to get the goods cleared at the sea ports and again the administrative loop holes come into picture. Customs formalities are also not being attracted by the land route. This saves time and money both. Also the issue of dealing with custom authorities does not come into picture.

4.2.9 Modes of payment and Disputed payment

A detailed explanation of the payment methods and disputed payments has been incorporated in a separate chapter.

Profile of the respondents and analysis of the data gathered are mainly offered in Chapter 7.