

Study on the Pre Shipment and Post Shipment Process with Reference to the Triway Forwarders Pvt Ltd

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ABSTRACT--- *The exporter gets payment at the time of the shipment of goods; he has to arrange for finance to meet the expenses involved until the time of shipment. These include expenditure on the purchase of materials and Components, processing, packaging, packing, marking, transaction, Warehousing, etc. In many instances, the exporter is compelled to extend credit to the overseas buyer .In fact, in international marketing; the nature of the sales/credit term offered is a very decisive factor in obtaining business. In many cases, the exporter as to wait for a period of time-short, medium or long- even after the shipment of goods to obtain payment from the overseas buyer. He as therefore to arrange for post-shipment finance, covering the period between the shipment of the goods and the receipt of payment. All the countries which are serious about export promotion have, therefore, made institutional arrangement for the provision of both pre-shipment and Post-shipment finance. In India the export sector is regarded as a priority sector.*

Keywords: *shipping, pre shipment, post shipment, operational procedure*

INTRODUCTION

Packing credits are eligible for interest subsidy, normally for period not exceeding 90 days, although the credit may given for a period 180 days for specified items, such as engineering goods, with the permission of the RBI. In genuine case of delay of shipment of specified items, a future of 90 days may be allowed by the RBI. Packing credits is also available against certain incentives; such advances should be repaid by the exporter as soon as these are realized. When a letter of credit or an export order received in the name of an export house or any merchant exporter, an advance made even to a sub-supplier falls with the packing credit scheme. In such a case the sub-supplier should submit the letter to bank from the export house/merchant exporter details of the supply allotted.

Funds to cover an exporter's costs before goods are sent overseas financial assistance is extended by the bank to the exporters at pre-shipment and post-shipment stages. Financial assistance extended to the exporter prior to shipment of goods from India falls within the scope of pre-shipment finance while that extended after shipment of the goods falls under post-shipment finance. While the pre-shipment finance is provided for working capital for the purchase of raw material, processing, packing, transportation, warehousing etc, of the goods meant for export, post-shipment finance is generally provided in order to bridge the gap between shipment of goods and the realization of proceeds.

Purchase of discount facilities in respect of export bills drawn under confirmed export orders are generally granted to the customers who are enjoying bill purchase /discounting limits from the bank. As in the case of purchase or discounting of documents drawn under export order, the security offered under L/C by way of substitution of credit worthiness of the buyer i.e. importer by the issuing bank is not available, the bank financing is totally dependent upon the credit worthiness of the bank. The documents drawn on DP basis are parted with through foreign correspondent only when payment is received. In case of DA bills documents are passed on to the overseas importer against the acceptance of the draft to make payment on maturity. Banks generally opt for ECGC policies and guarantees to be issued in favor of the exporter / Banks to protect their interest in case of non-payment or delayed payment (Note: Due to any mistake or negligence on the part of exporter

STATEMENT OF THE PROBLEM

In the present global scenario International business plays an important role for the development of a country. For effective International business, its process and procedures should be liberalized and simplified according to the expectation of the customers.

Among the policy and procedures of International business, the shipment finance plays a crucial role in motivating the exporters and importers. This will lead to evaluate the process of shipment finance. This research will be very useful for the company to know the pre and post-shipment process followed by the forwarders. Moreover this project will be more focused for the forwarders to take necessary steps to simply the procedure and process of shipment finance according to the expectation of customer, Importers and Exporters.

OBJECTIVES OF THE STUDY

- To understand the concepts of Pre & Post shipment finance.
- To know the detail operational procedure involved in Pre & Post-shipment finance in "TRIWAY FORWARDERS PVT LTD"
- To find out the type of shipment finance preferred by "FORWARDERS"
- To know the problems faced by forwarders, with reference to Shipment finance

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RESEARCH METHODOLOGY

Research Methodology is a way to systematically solve the research problem. It may be considered as a science of studying how research is being done scientifically.

S.NO	KEY ISSUE	SELECTED OPINIONS
1.	Data Source	Primary Data and
2.	Research	Secondary Data
3.	Approach	Descriptive Research
4.	Survey method	
5.	Instrument used	Questionnaire
	Area of survey	In forwarding companies
	Sampling plan	
	a) Sampling size	27 Respondents
	b) Sampling Method	Convenience Sampling
	c) Method used to collect Questionnaire	1.Chi-square
	d) Method of Analysis	2.Weighted average 3.Rank Correlation

SOURCES OF DATA

The primary data are those, which are collected a fresh and for the first time, and thus happen to be original in character. Primary data was collected in the form of direct contact method with the employees in the organizations. A questionnaire was provided to the Executives in order to record the response for analyzing the pre-shipment and post-shipment finance in forwarding companies.

SAMPLING SIZE:

This refers to the number of items to be selected from the universe to constitute a sample. The sample size is 27 respondents.

SAMPLING TECHNIQUES:

When the population elements are selected for inclusion in the sample based on the care of access, it can be called convenience sampling. Convenience sampling was used to complete this survey. It is the selection of sample units and it is based on the convenience of the research.

METHOD USED FOR COLLECTING QUESTIONNAIRE:

The employees were directly contacted and the questionnaire was given to them. The direct contact method is helpful to get some more additionally information for the purpose of study.

METHOD OF ANALYSIS AND RESULTS:

The methods that are used to analyze this study are as follows:

- Weighted average method
- Coefficient of Correlation
- Chisquare analysis

DATA Anayasis and Interpretation

WEIGHTED AVERAGE METHOD

For the above table Weighted average method has been followed. Under this method points are allotted to each and every priority. For the first priority 5 points, second priority 4 points, third priority 3 points, forth priority 2 points and fifth priority 1 point.

Products	Strongly agree	Agree	Undecided	Disagree	Strongly disagree	Total
Demand	7	12	4	3	1	27
Interest	3	7	9	4	4	27
Docume ntation	10	5	7	4	1	27
Restricti on	4	9	5	4	5	27

Score = No. of employee*points

Total score = 7+3+10+4 = 27 Weight = Total score/ No. of respondents

From the above table it is inferred that most of the companies are strongly agreed that demand influences the shipment finance.

Karl's Pearson coefficient of Correlation

Aim:

To find out the correlation between influence factor of pre and post- shipment finance

Pre-shipment (x)	Post-shipment (y)	x ²	y ²	xy
15	12	225	144	180
10	17	100	289	170
16	11	256	121	176
15	12	225	144	180
15	12	225	144	180
11	16	121	256	176
16	11	256	121	176
20	7	400	49	140
Total	88	1808	1268	1378

$$\begin{aligned}
 Pxy &= \frac{\sum (xy) - \sum(x)\sum (y)}{\sqrt{\sum(x^2)-(\sum x)^2} \sqrt{\sum(y^2)-(\sum y)^2}} \\
 &= \frac{1378-(118)(88)}{\sqrt{(1808)-(118)^2} \sqrt{(1268)-(88)^2}} \\
 &= \frac{1378-10384}{1807.49 * 1267.49} \\
 &= -0.00393
 \end{aligned}$$

Inference:

The result r=-0.00393 indicate that the influencing factors between pre and post-shipment finance are negatively correlated.

Chi-Square test.

AIM:

To test the significance usefulness of Pre & Post-shipment finance to the exporter and importer.



Null Hypotheses:

HO: There is no significance difference between the Pre and Post shipment finance.

O	E	(O-E)	(O-E) ²	(O-E) ² /E
4	3.4	0.6	0.36	0.10
3	3.4	0.4	0.16	0.04
6	3.4	2.6	6.7	1.97
2	3.4	1.4	1.96	0.57
2	3.4	1.4	1.96	0.57
5	3.4	1.6	2.56	0.75
2	3.4	1.4	1.96	0.57
3	3.4	0.4	0.16	0.04
			Total	4.61

Expected Frequency = $\frac{RT*RC}{27}$

27

27 = No. of Samples

$\Psi^2 = \sum \frac{(O-E)^2}{E} = 4.61$

E

CALCULATED VALUE= 4.61 TABULATED VALUE = 7.815

$$= (R-1) (c-1)$$

$$= (4-1) (2-1)$$

$$= 3*1$$

Degree of freedom= 3 @ 5% of LOS

Calculated value = 4.61

Tabulated value = 7.815

Tabulated value ψ^2 for 3 degree of freedom at 5 %

Level of significance is 7.815.

Suggestion:

Since calculated (value) $\psi^2 <$ tabulated ψ^2 we accept that there is no

Significant difference between Pre-shipment and Post-shipment finance

The summary of the major findings are given below

Most of the respondents agree that Pre-shipment finance is very useful for the exporter & importer. Most of the Respondents feel that Post- shipment is not as very useful as Pre-shipment finance. All most all the Respondents say that are availing more benefits from shipment finance. Most of the organizations say that they are not getting any financial supports from the government. Majority of the forwarding companies are playing a challenging role in clearing the bills. Most of the forwarding companies provide more benefits to their customers because it's a service oriented companies. Majority of the respondents agrees that demand influences the shipment finance decision. Majority of the respondent feel that the both Pre & Post-shipment finance are preferred on the basis of demand. 60% of the Respondent agrees that Pre-shipment finance promotes the international trade, and 40% feels that Post-shipment finance promotes the international trade. Most of the forwarding companies feel that Pre-shipment finance will have more demand in the long run. Majority of the respondents says that Post-shipment finance requires more processing time. Most of the Respondents are undecided that

the rate of interest influences the shipment finance. Majority of the respondents says that pre-shipment finance is preferred on the basis of reasonable rate of interest in comparison to post-shipment. Majority of the respondents feel that Exporter & Importer prefers Pre-shipment finance for the shipment of goods. Most of the Respondent says that the Pre-shipment finance is preferred on the basis of minimum amount provided by the organization. Most of the Respondent says that the Post-shipment finance is preferred on the basis of maximum amount provided by the organization. Most of the respondents strongly agree that documentation influences the shipment finance. All most all the respondent says that Post-shipment finance requires more documentation. Most of the respondents strongly agree that Government is laying more restriction in shipment finance. All most all the respondents say that when compared to Post-shipment finance government is laying more restriction in Pre-shipment finance.

SUGGESTION AND RECOMMENDATION

The suggestions and recommendations to the concern are given below:

Documentation procedures should be reduced by the government so as to reach the expectation of the customer, and the customer as to avail the benefits provided by the companies. The credit facilities to the forwarding companies as to be increased to meet there working capital expenses. The government as to support the Exporter and Importer financially in providing credit facility for the shipment of goods. Government as to reduce the restrictions laid down to the Pre-shipment and Post shipment finance. The forwarding companies as to give innovative incentive schemes, gifts, cash awards, weekend celebration may increase the interest of the customers who ever deals regularly with company. To promote the export and import business the government as to reduce restriction in shipment finance.

CONCLUSION

In the present scenario, people who are interested to do export and import business, but they are handicapped and feared with the procedures and policies of international business. Among the various the procedures and policies of international business like Documentation, Warehousing, Logistics, the shipment finance procedures are an important one for new exporters and importers. This project will be very helpful to the exporter to know the simplified procedures of shipment finance. This project will be generalized in all forwarders companies to meet the expectation of customers.

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