Role of Experience on the Problems Faced By Clearing and Forwarding Agents in Import and Export

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Abstract - **Clearing and forwarding agents are facing lots of problems which have direct impact in their business performance. Though, the problems are more in every field, but in C&F agents, they totally depend on customers, customs and shipping companies. The problems faced by them are grouped into four categories namely, finance problems, logistics problems, problems related to government policies, and customs problems. This industry runs mainly of logistics related activities and hence, they face several problems related to logistics. Of course, finance problems are major issues in any company, and this industry is not an exemption. Clearing and forwarding agents are facing lots of problems in their day to day activities. Competition persists everywhere in the logistics and shipping industry. Survival is difficult in this business. However, elimination of issues and eradication of problems will lead to better performance on the part of clearing and forwarding agents. This study was conducted to analyze the problems faced by clearing and forwarding agents in Chennai port. Many interesting outcomes were derived from this study.**
Keywords: **Clearing And Forwarding, Customs, Import and Export, Logistics, Document**

I. INTRODUCTION

To move large quantities of goods across the country and around the world, Nations depend on their freight transportation system—a vast network of roads, bridges, rail tracks, airports, seaports, navigable waterways, pipelines, and equipment. A freight forwarder is an individual or company that dispatches shipments via asset based carriers and books or otherwise arranges space for those shipments. Common carrier types could include waterborne vessels, airplanes, trucks and railroads. The movement of international freight among nations relies on a complex array of long-distance transportation services. The process involves many participants, including shippers, commercial for-hire carriers, third-party logistics providers, and consignees.

Moreover, global trade depends on seaport and airport services to move large volumes of merchandise over long distances via a variety of transportation modes. The interaction of these services and participants is vital to successful global trade. Freight forwarders typically arrange cargo movement to an international destination. Also referred to as International Freight Forwarders, they have the expertise that allows them to prepare and process the documentation and also perform related activities pertaining to international shipments. Some of the typical information reviewed by a freight forwarder is the commercial invoice, shipper's export declaration, bill of lading and other documents required by the carrier or country of export, import, or transshipment. Much of this information is now processed in a paperless environment.

A. Typical Activities of Freight Forwarders: Some of the activities of freight forwarding agents are researching and planning the most appropriate route for a shipment (taking account of the perishable or hazardous nature of the goods, cost, transit time and security); Arranging appropriate packing (taking account of climate, terrain, weight, nature of goods and cost) and delivery or warehousing of goods at their final destination; Obtaining, checking and preparing documentation to meet customs and insurance requirements, packing specifications, and compliance with overseas countries' regulations and fiscal regimes, Offering consolidation services by air, sea and road - ensuring cost effective and secure solutions to small shippers with insufficient cargo to utilize their own dedicated units;, Liaising with third parties to move goods (by road, rail, air or sea) in accordance with customer requirements; Arranging insurance and assisting the client in the event of a claim, etc.

B. Functions of Freight Forwarders: Best Routing Packing, Customs Clearance, Transport, Insurance, Warehousing & Distribution Rate and Contract Negotiations Findings Alternatives Grouping & Consolidation. International Transport is one of the most dynamic and fastest - changing industries in the world. It needs a responsive, forward-looking and national trade association, operating to the highest professional standards. FFFAI is that association. They have redefined their Mission and goals. They, in turn, define what FFFAI is and what it does.

C. Custom Broker: Customs brokerage is a profession that involves the "clearing" of goods through customs barriers for importers and exporters (usually businesses). This involves the preparation of documents and/or electronic submissions, the calculation and payment of taxes, duties and excises, and facilitating communication between government authorities and importers and exporters. Custom brokers may be employed by or affiliated with freight forwarders, independent businesses, or shipping

lines, importers, exporters, trade authorities, and customs brokerage firms.

D. Key Issues

Road Freight which includes poor quality of roads and network connectivity, Stoppage of vehicles at State border check posts are a major cause of delays, it is estimated that 40% of the time lost are due to these stoppages, no stringent requirement or regulations for starting a trucking business, and large number of small and unorganized players, with no industry consolidation and intense competition.

Rail Freight which includes Freight tariffs in India are among the highest in the world, rail freight lacks reliability and track ability, and it is deficient in terms of quality of operations, speed, and customer orientation.

Air Freight which includes there is absence of integrated cargo infrastructure, there are inadequacies in gateway and hinterland connectivity through rail and road, There is a need for streamlining of Customs procedures in air cargo, there is a need of technological up-gradation of cargo handling processes, and there is a need to formulate a performance based service.

Port Freight which includes there is inefficiencies in berthing, and delays in loading and unloading. i.e. high turnaround time of vessels, there are delays in co-ordination between ports and the Customs authorities, and there is poor hinterland connectivity and poor port- and land-side infrastructure and outdated equipment Navigation channel restrictions do not allow bigger vessels to be berthed

II. REVIEW OF LITERATURE

George N. Kenyon *et al.,* (2002) in their article state that Logistics outsourcing has a significant effect on how manufacturing firms produce and deliver products to their customers. Indeed, many manufacturing firms do not own or manage the transportation and warehousing resources used for inbound and outbound shipments from their facilities. Earlier research, however, has cast doubt on the efficacy of outsourcing, as some companies experience favorable performance outcomes while others do not. Their research investigates the effects of logistics outsourcing on cost by analyzing empirical data across a wide variety of industries, using data from a survey of manufacturing plant managers.

The concept of innovation is regarded in most organizations as an effective tool to create and sustain competitive advantages. The logistics function is an area that is increasingly seeking ways of adding value through innovation (Soosay and Hyland, 2004).

The service component offers a very good chance of gaining sustainable competitive advantage in the hypercompetitive global market. Conversely, poor service or a reluctance to innovate offers a fairly good chance of losing customers (Chapman *et al.,* 2002). Chapman *et al.,* (2002) also found that the advances in technology and communication have compelled this industry to strive permanently for new products and solutions.

Pradeep Kumar Dubey and Janat Shah (2002), examines the relationship between the Strategic Attributes (SA) and Value Added Services (VAS) of Logistics Service Providers (LSPs) in India as they move up the Value Chain. This study was undertaken to understand the structure and evolution of Logistics Service Providers to a higher level in the Value Chain. The study addresses the relationship between the Strategic Attributes and Value Added Services which help a Logistics Service Provider to grow upward. Sample of 159 organizations participated in this study. Konstantin Makukha and Richard Gray (2000) said although logistics partnerships are common, incentives for entering into strategic arrangements and the determinants of their success are not well researched. Many logistics partnerships, being operational in nature, are of a logistics partnership on a shipper's strategic moves and competitive positioning has not been researched thoroughly.

Murphy *et al.,* and Daley *et al.,* (1992) explained in their article that the freight forwarders are referred to as international trade specialists offering a variety of services to facilitate the movement of international shipments.

Gordon, (2003) Gordon has pointed out that a change in the sector of the logistics industry has been the development of LLPs that function as supply chain masters' for shipping companies acting as a single point of contact while managing a network of 3PLs for service delivery.

Sreedevi (2008) in this study, the researcher remarked that the shipments from India are not to the mark. It lacks perfection in many sectors. The construction of an international container Transshipment Terminal at Vallarpadam in Cochin port will bring tremendous change in shipment. The problems faced by ports are under efficiency, overstuffing and labor. By overcoming these problems the shipping trade can be in full fledge.

Kannan *et al.,* (2011) in his article he emphasized the importance of Customs House Agent. The moderators of the focus groups were selected by using judgment sampling and the members by quota sampling and snowball sampling. On analysis, it was first found that Service Charge (SC) is the most important criterion in the selection process and Updated Knowledge (UK) is the least important criterion.

Logannathan (2009) in his study, the researcher has suggested that the Customs stands to safe guard and promote the export trade and import trade. Therefore it should serve these business men by providing sufficient requirements such as easy documentation, increase of drawback rates and the reducing tax for import of machineries.

III. NEED FOR THE STUDY

Clearing and forwarding agents are facing lots of problems which have direct impact in their business performance. Though, the problems are more in every field, but in C&F agents, they totally depend on customers, customs and shipping companies. The problems faced by them are grouped into four categories namely, finance problems, logistics problems, problems related to government policies, and customs problems. This industry runs mainly of logistics related activities and hence, they face several problems related to logistics. Of course, finance problems are major issues in any company, and this industry is not an exemption. Therefore, it is important to study about the problems faced by clearing and forwarding agents in both export and import of goods. This study is conducted to analyze different problems faced by clearing and forwarding agents in Chennai.

IV. OBJECTIVES OF THE STUDY

The following objectives are derived based on the review of literature.
1. To study the basic information about clearing and forwarding agents in Chennai.
2. To analyze the influence of experience on various types of problems faced by clearing and forwarding agents.

V. METHODOLOGY

The research design used in this study is descriptive as the nature of the data collected describes the opinion of the firms towards various problems in clearing and forwarding agents, Chennai. The population for this study is anybody who is doing clearing and forwarding business in Chennai. In this study, the number of population cannot be defined as the agents are more in number. The sample for this study is the persons who are involved in clearing and forwarding agencies in Chennai city. Since, the number of clearing and forwarding agencies in Chennai are more, and also identify the C&F agents is difficult, the researcher adopted convenience sampling method. It is one of the non-probability sampling methods. For the present study, the number of sample required is 174 in order to validate the responses. In this study, questionnaire is used to collect the data from the respondents.

The questionnaire consists of data regarding gender, experience, education, and other questions related to clearing and forwarding agencies. Apart from that, twelve statements were identified which are most important problems that are faced by clearing and forwarding agents namely, financial problems, logistics problems, government policies, and customer problems. Those statements were measured in FIVE point Likert scale where 5 represents strongly agree and 1 represents strongly disagree. The data were collected from various clearing and forwarding agencies in Chennai. The researcher approached them regarding the need for the study and got their opinion with the help of questionnaire. This study was conducted during the month of February and March 2019. 174 samples have been collected for this study. The statistical techniques used in this study are frequency distribution, percentage distribution along with different charts, Mean & Standard deviation, and t-test.

VI. ANALYSIS AND DISCUSSION

After the collecting the data, the responses were analyzed using SPSS package. It is noted that 60 percent of the respondents have opted for others, which mean that their profession is not in accountant, or engineer. However, 16 percent of the respondents are accountant while 15 percent of the respondents are procurement professionals. Further 9 percent of the respondents are engineers. 48 percent of the respondents have completed post graduation, 14 percent of the respondents have completed under graduation, 12 percent have completed PhD, and 11 percent have completed postgraduate diploma. Only 7 percent of the respondents have completed diploma and 8 percent have completed school level. It is noted that 42 percent of the respondents have more than 15 years of experience, 25 percent of the respondents have less than 6 years of experience, 20 percent have 6 to 10 years of experience, and 13 percent have 11 to 15 years of experience.

It is noted that 32 percent of the respondents never left the office without being served, while 23 percent of the respondents left the office one time without being served, 17 percent of the respondents left the office four times without being served, 15 percent of the respondents often left the office without being served. Only 2 percent of the respondents left the office three times without being served. 32.35 percent of the respondents left the office because of delay in documentation process. 27.94 percent of the respondents left the office because of other appointments. 10.29 percent of the respondents left the office because of misunderstanding with branch manager. 5.88 percent of the respondents left the office because of more politics in office, system failure, lack of infrastructure, technical problems.

It is noted that 55 percent of the respondents accept that there is a huge weakness in the process of clearing consignment at the port of India, while 45 percent of the respondents deny for this statement. It is noted that 24.44 percent of the respondents opine that poor system performance is the main weakness in the process of clearing consignment at the port of India. 22.23 percent of the respondents opine that more custom formalities are the main weakness in the process of clearing consignment at the port of India.

15.56 percent of the respondents opine that unwanted questions from the customs officers are the main weakness in the process of clearing consignment at the port of India, which is followed by over pollution (13.33%), poor system knowledge (13.33%), and poor infrastructure (11.11%).

TABLE I MEAN AND STANDARD DEVIATION OF VARIOUS PROBLEMS FACED BY THE CLEARING AND FORWARDING AGENTS

Problems	Mean	SD
Financial Problems		
It is difficult to get payment from the customer	4.150	.891
Sometimes conversion of foreign currencies in difficult	3.170	.809
Taxes are more in this business	3.670	.910
Transportation cost in high logistic problems	3.990	.761
Logistics Problems		
Bringing the goods from the currencies point to port in very difficult.	4.180	.919
Logistics insurance cost is high for certain products	3.230	.774
Government Policies		
Rules and regulation for government change frequently.	3.930	.987
It is difficult to do business when government changes policies regularly	3.220	.883
Restrictions in government policies will control us in expanding our business.	4.250	1.008
Customs Problems		
Goods will get delayed in export and import because of customs persons	4.300	.937
Formalities during customs clearance is more	4.160	.973
Customs people will make unnecessary delay	3.400	1.082

Table I shows the mean and standard deviation of different problems faced by the clearing and forwarding agents. It is noted from the table that, getting payment from the customers (mean = 4.150; SD = 0.891) is the foremost problems faced by clearing and forwarding agents with respect to finance. The next major problems related to finance are, high transportation cost (3.990; SD = 0.761), and more taxes (mean = 3.670; SD = 0.910). Conversion of foreign currencies is not a major problem for the C&F agents (mean = 3.170; SD = 0.809). Regarding, logistics problems, it is noted that bringing goods from the customer point to port is the major problem faced by C&F agents (mean = 4.180; SD = 0.919), which is followed by high logistics insurance cost (mean = 3.230; SD = 0.774). As far as problems related to government policies are concerned, it is found that restrictions in government policies during expansion of business (mean = 4.250; SD = 1.008) is the major problem faced by the C&F agents, which is followed by frequent changes of government rules and regulations (mean = 3.930; SD = 0.987), and difficulty in doing business when the government changes policies regularly (mean = 3.220; SD = 0.883). While considering customer problems, it is observed that the C&F agents face more problems related to delay of goods during export and import due to customs persons (mean = 4.300; SD = 0.937), which is followed by more customs clearance formalities (mean = 4.160; SD = 0.973), and making unnecessary delay by customs people (mean = 3.400; SD = 1.082).

TABLE II ANOVA SHOWING VARIATION AMONG THE RESPONDENTS WITH RESPECT TO THEIR EXPERIENCE TOWARDS VARIOUS PROBLEMS FACED BY THEM

Problems	Less Experience		Moderate Experience		More Experience		F-test	Sig.
	Mean	SD	Mean	SD	Mean	SD		
Financial Problems	4.100	.401	3.354	.489	3.466	.480	14.066	<o.ool
Logistics Problems	3.880	.505	3.803	.449	3.404	.597	8.227	0.001
Government Policies	4.000	.810	3.787	.881	3.849	.599	.580	.562
Customs Problems	4.222	.981	3.767	1.015	3.480	.614	6.320	.003

Table II shows the variation of experience towards various problems faced by clearing and forwarding agents. It is observed from the ANOVA table that among the four problems categorized, government policies alone does not have any significant outcome, which means that the C&F agents do not differ based on their experience towards government policies, whereas they differ in their opinion towards other three problems namely, financial problems, logistics problems and customs problems, wherein less experienced and moderately experienced clearing and forwarding agents significantly differ from more experienced C&F agents, because, less experienced and moderately experienced agents do not know the nook and corner of the business and hence they face problems. However, experienced persons do know the nook and corner of the service and hence they may know how to reduce the problem and get the work done. From this study it is confirmed that the experienced persons should be with C&F agents so as to take wise decision during critical stage in all

the key areas, namely, finance, logistics and customs related problems.

VII. FINDINGS OF THE STUDY

Getting payment from the customers is the foremost problems faced by clearing and forwarding agents with respect to finance. The next major problems related to finance are, high transportation cost, and more taxes. Conversion of foreign currencies is not a major problem for the C&F agents. Regarding, logistics problems, it is noted that bringing goods from the customer point to port is the major problem faced by C&F agents, which is followed by high logistics insurance cost. As far as problems related to government policies are concerned, it is found that restrictions in government policies during expansion of business is the major problem faced by the C&F agents, which is followed by frequent changes of government rules and regulations, and difficulty in doing business when the government changes policies regularly. While considering customer problems, it is observed that the C&F agents face more problems related to delay of goods during export and import due to customs persons, which is followed by more customs clearance formalities, and making unnecessary delay by customs people.

Regarding influence of experience, less experience and moderately experienced clearing and forwarding agents face several problems compared to more experienced agents. However, the C&F agents do not differ significantly with respect to their experience towards the problems related to government policies.

VIII. SUGGESTIONS AND CONCLUSION

Since, getting payment from customers is difficult, it is suggested that the clearing and forwarding agents need to adopt installment basis to get the payment. Sometime, the C & F agents can go for financial agencies support to credit the customers for some nominal interest rate. This can be applicable only for the payment is above certain limit. High transportation cost always result in reduced return. Transportation cost can be minimized by adopting proper logistics techniques.

As frequency changing of rules and regulations of government, it is suggested that flexible management system has to be adopted wherein flexible decision can be taken based on the situation. If government rules and regulations are strict, then decision related to C & F consignments has to be changed accordingly. Since, delay in getting goodwill in export and import business because of customs persons, it is suggested to have cordial relationship with customs persons and give priorities to them during some special occasions. Recognition and respect always have mutual understanding between customs persons and C & F agents. Since customs problems are the major problem faced by clearing and forwarding agents, it is suggested that customer relationship management (CRM) practices have to be implemented in the agencies to have a good relationship with customers. Retaining customers is far better than bringing new customers to the business.

Clearing and forwarding agents are facing lots of problems in their day to day activities. Competition persists everywhere in the logistics and shipping industry. Survival is difficult in this business. However, elimination of issues and eradication of problems will lead to better performance on the part of clearing and forwarding agents. This study was conducted to analyze the problems faced by clearing and forwarding agents in Chennai port. Many interesting outcomes were derived from this study. The first thing is infrastructure facilities, which has to be improved in all aspects at India port because of which the process is getting delayed. Further, documentation process has to be improved and application of information technology has to be incorporated to reduce the complicated process. Keeping smooth relationship with customs officials will reduce the unwanted conflict between customs persons and the clearing and forwarding agents. Flexible management system will result in better performance, and finally customer relationship management will yield superior result.

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