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“A Study On Risk Involved In Export And Import In Birla Copper”

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Abstract of study:

The Export/Import business is primarily an expansion of trade boundaries wherein several business models exist. Just like the conventional business, a person with the requisite Export/Import license can sell his manufactured goods to clients abroad, can act as an intermediary between the local manufacture and overseas buyer or vice versa, and can be directly purchasing good produced abroad and selling them in the native market. The export-import business becomes unique with the involvement of various stakeholders and risks, which do not come into picture with domestic trade.

Key words:- Export/Import business, Expansion, Trade boundaries, Business models, Conventional business, Requisite Export/Import license, Manufactured goods, Clients abroad, Intermediary, Local manufacture, Overseas buyers, Native market, Domestic trade

Introduction of the Research Area:

In the world of importers and exporters, uncertainties are a constant threat that can have disastrous consequences if not properly addressed. Medium and large-sized import/export businesses are especially vulnerable, and mitigating these risks becomes essential. One major potential catastrophe is the loss of goods due to a sinking ship during transit. Such an event can cripple the entire operation and even endanger the business's existence.

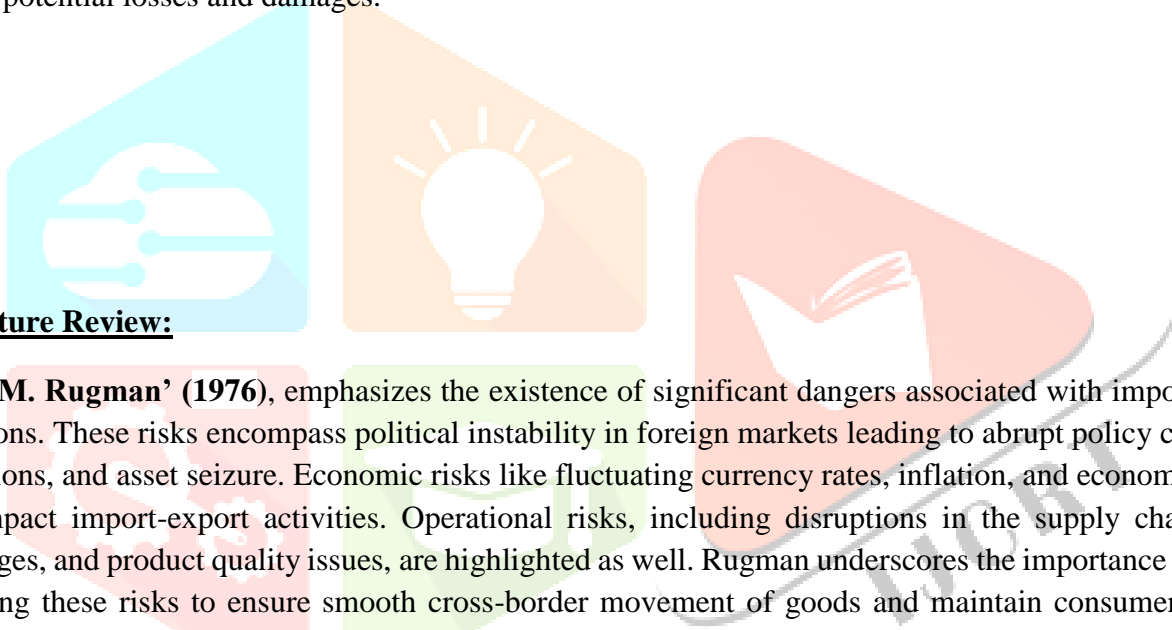
To shield the import/export business from uncertainties, the first step is recognizing the risks that it may face. The export/import business involves various stakeholders and risks that are unique to foreign trade, unlike domestic trade. There are several business models within this realm, such as selling manufactured goods to foreign clients, acting as an intermediary between local manufacturers and overseas buyers, or directly purchasing goods produced abroad for sale in the native market.

Both exporting and importing are key components of foreign trade. Exporting refers to selling goods and services from the home country to foreign nations, while importing involves purchasing foreign products and bringing them into one's home country. Importers and exporters need to be aware of the potential risks they might encounter and take appropriate measures to safeguard their operations.

For exporters, these risks include goods being lost or damaged during transit, non-payment for goods or services, difficulties in returning rejected goods, political or economic instability in the buyer's country, assessing a new customer's creditworthiness, currency fluctuations, and the risk of being sued due to faults in products.

On the other hand, importers need to consider potential loss or damage to goods during transit, supplier problems like failure to supply, transport delays and port hold-ups, performance or health and safety issues with the goods, import duties, storage in bonded warehouses, and exposure to currency fluctuations.

Each nation possesses unique resources and capabilities, and import/export businesses need to account for these factors when engaging in foreign trade. It's essential for these businesses to consider insurance coverage to protect against potential losses and damages.



Literature Review:

‘Alan M. Rugman’ (1976), emphasizes the existence of significant dangers associated with import and export operations. These risks encompass political instability in foreign markets leading to abrupt policy changes, trade restrictions, and asset seizure. Economic risks like fluctuating currency rates, inflation, and economic downturns also impact import-export activities. Operational risks, including disruptions in the supply chain, logistical challenges, and product quality issues, are highlighted as well. Rugman underscores the importance of effectively managing these risks to ensure smooth cross-border movement of goods and maintain consumer satisfaction. Additionally, he underscores the significance of understanding cultural differences, legal systems, and compliance standards between nations as essential factors in successful import-export operations.

‘Donald Lessard’ (27 Mar 2013.): the realm of import and export activities is fraught with various types of risks that can significantly impact the success and profitability of global trade. Economic risks arise from shifts in policies, fluctuations in inflation, interest rates, and currency exchange rates, influencing the financial outcomes of import-export transactions.

Political risks involve the instability of political landscapes, changes in government regulations, trade barriers, embargoes, and potential penalties, which can disrupt the flow of goods and services, leading to financial repercussions for cross-border businesses.

Legal risks are a critical aspect, necessitating strict adherence to numerous laws, regulations, and documentation requirements from both exporting and importing nations. Non-compliance could result in penalties, fines, and legal actions.

Operational risks encompass potential pitfalls such as transport delays, goods damage during transit, challenges in maintaining quality standards, and logistical complexities. Proactively addressing and mitigating these

operational risks is essential to ensure smooth cross-border movement of goods and to uphold the reputation and profitability of importers and exporters.

“Catherine L. Mann” (2003): In the complex domain of import and export endeavours, a diverse array of risks demands careful consideration. Market risks emerge from the susceptibility of imports and exports to shifts in demand, volatile currency values, and political disturbances in target regions.

Financial concerns impact companies deeply engaged in import and export activities. Exchange rate fluctuations, creditworthiness concerns, and potential non-payment pose tangible risks affecting their financial health.

Navigating the legal and regulatory landscape introduces complexity, potentially entangling businesses in challenges related to import-export laws, customs charges, tariffs, and trade regulations.

Operational risks further complicate matters, influencing the effectiveness and reliability of import and export operations. Logistics intricacies, quality control oversight, supply chain disruptions, and delivery delays all threaten the seamless movement of goods across borders.

Even in geopolitics, risks emerge, with trade conflicts, trade wars, sanctions, and geopolitical tensions creating uncertainty and amplifying the landscape of import uncertainty.

In essence, the import-export realm involves a multifaceted landscape of risks spanning market, financial, legal, operational, and geopolitical domains.

‘Czinkota, Ronkainen, and Moffett’ (Aug 18, 2006): Import and export operations are influenced by political, economic, legal, and cultural risks. To enhance the success of these operations, understanding and managing these risks is essential.

Political risk refers to the potential impact of factors like unstable governments or policy changes on global trade. Economic risk involves variables such as exchange rate fluctuations, inflation, and economic crises that can affect the stability and profitability of import-export activities.

Legal risk pertains to issues like contracts, intellectual property rights, and dispute resolution within the legal frameworks governing international trade. Cultural risk recognizes the differences in communication, business practices, and norms between trade partners, which can pose challenges and affect the outcome of import-export endeavors.

Research objective:

- To study various types of risk involved in importing and exporting material.
- To study the impact of import and export in an industry
- To study the role of logistics and supply chain management in and industry

Research Design:

I have adopted descriptive research design for my project because descriptive research is concerned with describing characteristics for a particular individual or of a group.

Sample Design:

Sampling Design is definite plan for obtaining a sample frame a given population. It refers to the technique to the procedure adopted in selecting items for the sampling designs are as below:

Population:

All the working employees in Birla Copper (only male employees of the industry because there were no female employee while I was an intern)

Sampling Unit:

For the study the respondents are the employee of Birla Copper

Sample Size:

The sample for the study is limited to 50 respondents (all staff members of the department)

Sampling Method:

Non-profitability sampling method was used for the study.

Sampling Technique:

A convenience sampling technique was used to get respondent as sample from the entire population to fulfil the questionnaire as sample of the study.

Data Collection:**Method of Data Collection:**

- The study purposed to collect primary data through questionnaire using survey method so as give a precise, accurate, realistic and relevant data.

Data collection procedure:

- Type of data- Primary and Secondary.
- Method of collecting primary data- Structured Questionnaire

Data analysis:

- Analysis of data is process of inspecting, cleaning, transforming and modelling data with the goal of highlighting useful information, suggestion, conclusion and supporting decision making.

Tools for data analysis:

- For analysis and interpretation of primary data percentage analysis is to be used mainly due to qualitative nature of data and bar diagrams and pie charts are to be used to represent them in pictorial form.

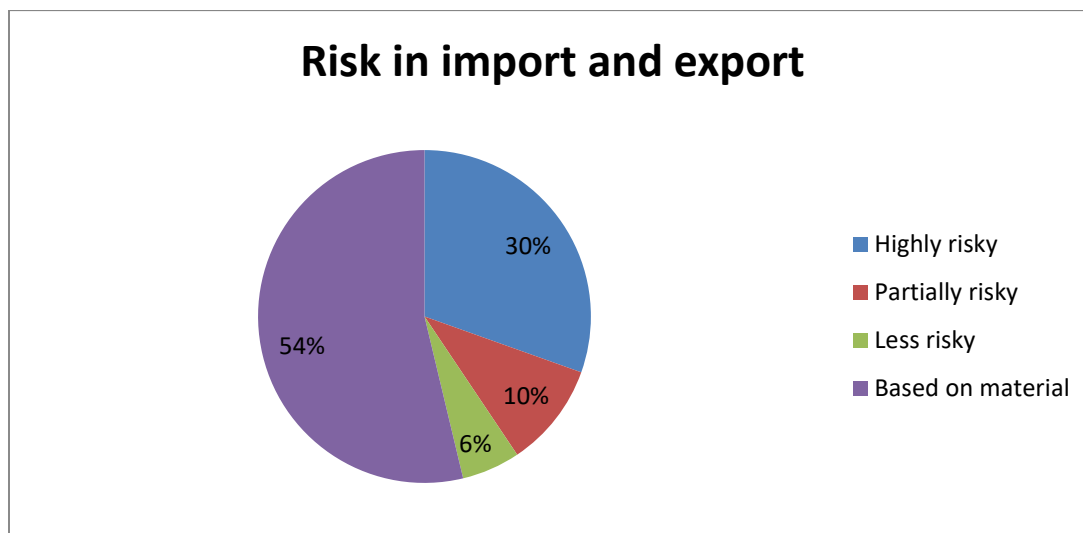
Area of research:

- This research is to be conducted in Birla Copper.

Research/Data Analysis:

1. Is the import/export of material risky than operation work?

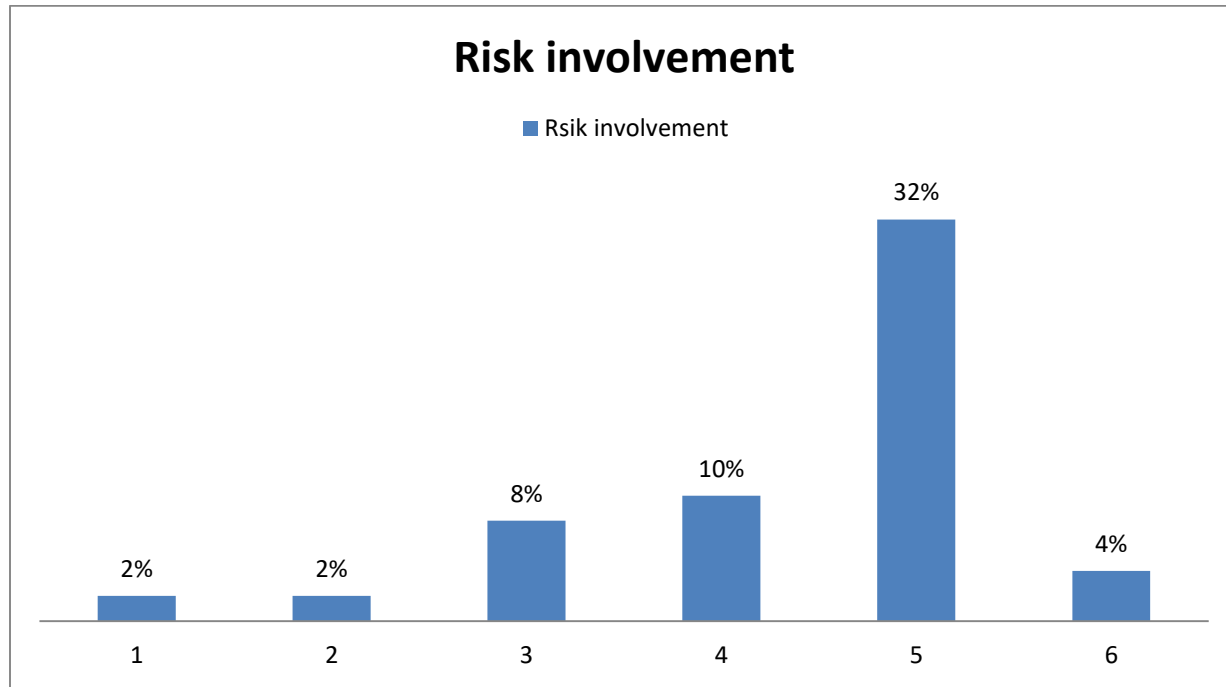
Risk involvement	No of respondent
Highly risky	15
Partially risky	5
Less risky	3
Based on the material	27
Total	50

**Interpretation:**

According to the research conducted employees think that maximum risk is based upon the type of material is exported and imported, while other employees thinks that import/export is risky work, some think it is not that much risky if conducted properly and in uniform way with all precautions.

2. How much percentage of risk is involved in import and export of material?

Risk involvement	No. of respondents
Less involvement	12
High involvement	38
Total	50

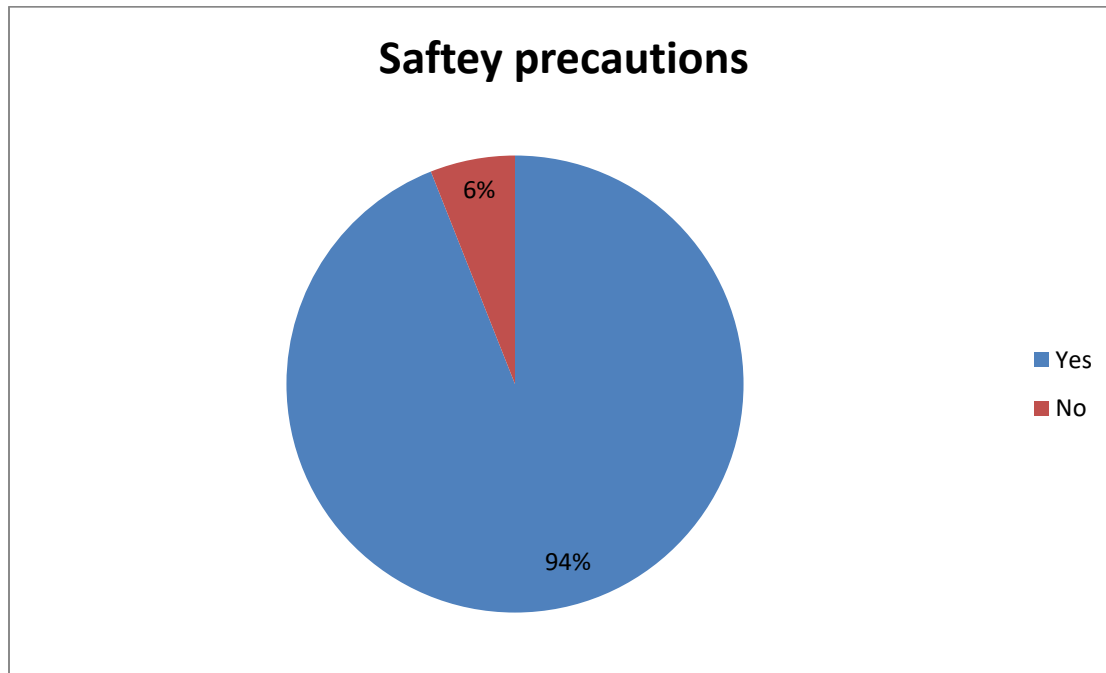


Interpretation:

According to the research conducted 24 employees think that the work of import and export is highly risky and 22 employees think the work is less risky as there are other factors affecting the work of import/export.

3. Does the department use all the safety precautions while loading and unloading of materials?

Taken care of safety precautions	No. of respondents
Yes	47
No	3
Total	50



Interpretation:

According to the research conducted 93% of employees think that there are all the safety precautions taken care while loading and unloading of material and remaining 7% think precautions are not taken.

4. Does the work of import and export use machine for loading and unloading purpose or man power is used?

Usage of machine or manpower	No. of respondents
Only manpower	1
Only machine	4
Both are involved	45
Total	50

Usage of machine or manpower



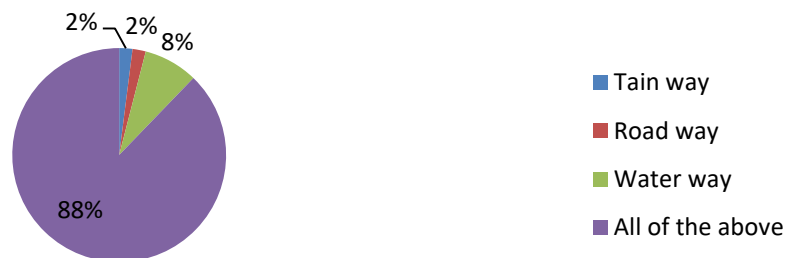
Interpretation:

According to the research conducted 92% of people think that there is usage of both machine and manpower involved in loading and unloading of material is done, 7% of employees think the work is done only with the help of machine and 1% of employees think that only manpower is involved.

5. From which way is the material imported and exported?

Mean of transportation	No. of respondents
Train way	1
Road way	1
Water way	4
All of the above	44
Total	50

Means of transportation

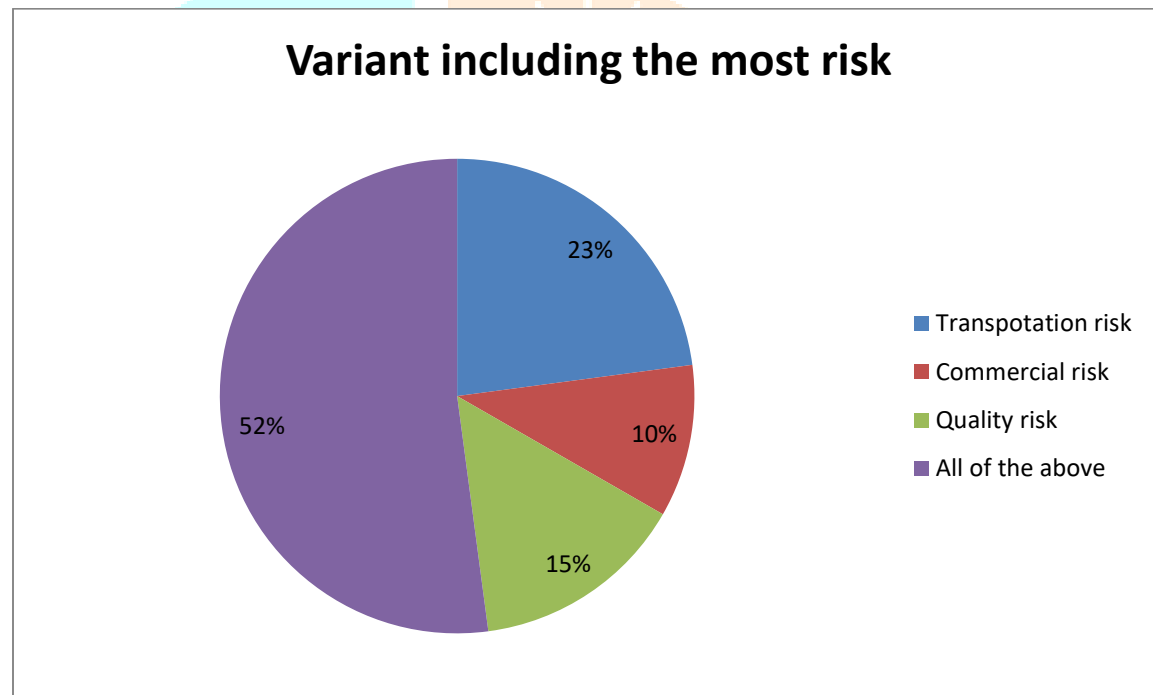


Interpretation:

According to the research conducted 88% employees answered that there are all the three way of transportation used for export and import, 9% employees answered that there is usage of water way, 2% employees answered that there is usage of road way and 1% answered that there is usage of train way.

6. Which import/export variant includes the most risk factor?

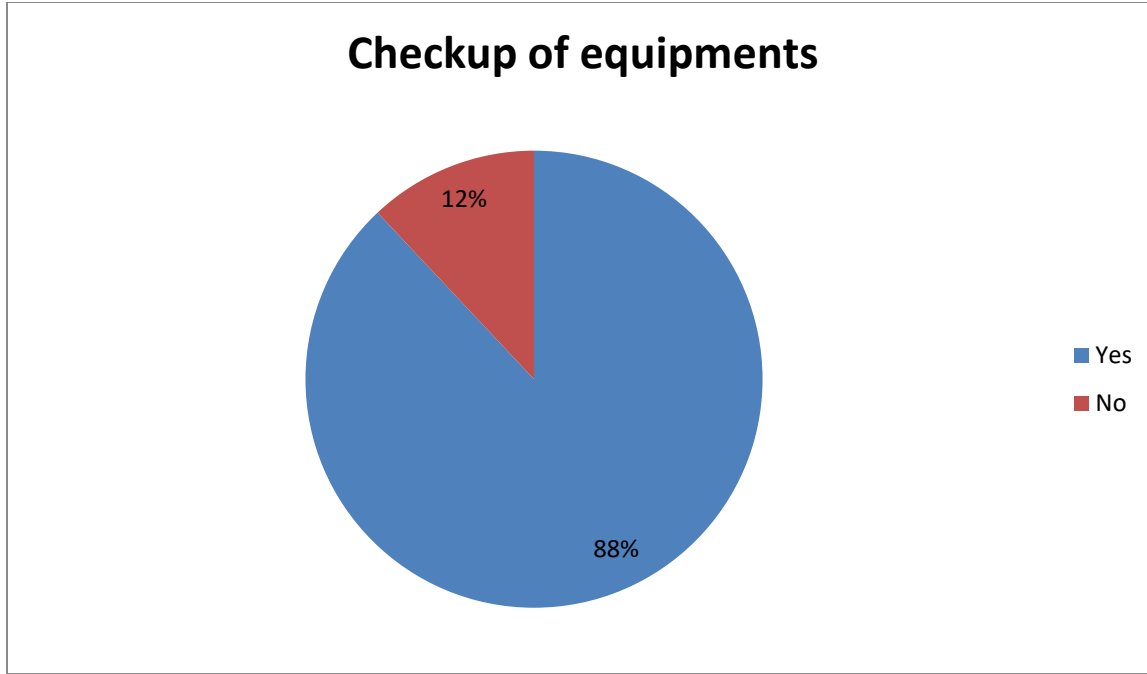
Variant including the most risk	No. of respondents
Transportation risk	11
Commercial risk	5
Quality risk	7
All of the above	28
Total	50

**Interpretation:**

According to the research conducted 50% of the employees think that all variants has involvement of risk, 23% of the employees think that transportation has the most risk involvement, 11% of the employees think commercial risk is more risky and rest 16% of the employees think that quality risk has most involvement of risk.

7. Does the equipment involved in importing and exporting regularly checked?

Checkup of equipments	No. of respondents
Yes	45
No	5
Total	50



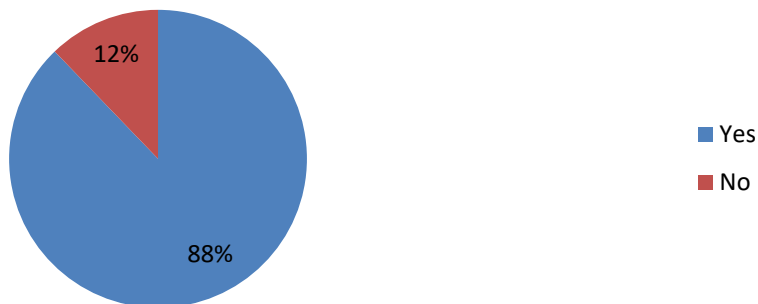
Interpretation:

According to the research conducted 89% of employees say the equipments are checked regularly and remaining 11% says the equipments are not checked regularly because they are maintained properly.

8. Is the container checked properly before loading and after unloading?

Checkup of containers	No. of respondents
Yes	43
No	7
Total	50

Container checkup



Interpretation:

According to the research conducted 89% of the employees said that the containers are checked properly before loading and unloading and rest of the 11% employees said the container and not checked as they are already checked at the main gate entry.

9. Does the fumigation process is done before loading or unloading of material when international orders are taken place?

Fumigation process	No. of respondents
Yes	46
No	4
Total	50

Fumigation Process



Interpretation:

According to the research conducted 93% employees said fumigation process takes place while international order are taken and rest 7% said it's not done as some countries does not need that process, its optional to be conducted.

Findings:

- According to majority of the employees of Birla Copper Ltd. import/export of material work contains more risk than the operating work and rest of the employees thinks operating work involves risk.
- According to the employees there is maximum risk involvement in importing and exporting of materials and rest of the employees thinks if done with proper procedure then it is less risky to be conducted.
- According to the employees all the safety precautions are measured and taken while loading and unloading the material while some of them says somewhere measure are not taken properly because some material are not dangerous to load or unload.
- According to the employees work of loading and unloading requires both machines and manpower to take material from one place to another. As some time only machines are used and some time only manpower is needs for loading and unloading the material.
- According to the employees train way, road way and water way all the three are important for the exporting and importing purpose. As mainly in The Aditya Birla Copper Ltd. mostly road ways and water ways are used for exporting and importing.
- According to the employee's transportation risk, commercial risk, quality risk all of them includes equal risk while exporting and importing of materials. As transportation and commercial risk have the major proportion of risk involvement while importing and exporting.
- According to the employees the equipments used for importing and exporting are checked properly on regular bases. But some employees not all equipments need regular check as they are properly maintained.
- According to the employees the containers in which the material is imported or exported are check properly before/after loading of the material. Where some employees say that containers are checked at the time of calling so they have no need to recheck before/after loading the material.
- According to the employees fumigation process is done while receiving or placing international orders, according to the requirement of the opposite countries requirement. Some says if there is not required then there is no need of fumigation process.

Conclusion:

In conclusion the study of Risk involved in Import and Export reveals several important findings and considerations.

Firstly, import and export activities are essential components of international trade, facilitating the exchange of goods and services between countries. However, these activities are not without risks, which must be carefully assessed and managed.

One significant risk in import and export is the potential for financial losses. Fluctuations in exchange rates, change in trade policies and regulations, and unexpected costs such as tariffs or customs duties can impact the profitability of import and export transactions. Therefore, it is crucial for businesses engaged in import and export to have a comprehensive understanding of the financial risk involved and to develop appropriate risk management strategies.

Another risk factor is operational risk. Import and export activities involve various logistical challenges, including transportation, customs clearance, and compliance with import and export regulations. Failure effectively managed these operational aspects can lead to delays, disruptions, or even the loss or damage of goods during transits. Businesses need to have robust supply chain management systems in place to mitigate operational risks and ensure smooth and efficient import and export processes.

Furthermore, political and legal risk can significantly impact import and export activities. Changes in political landscapes, trade policies, or international relations can result in trade barriers, sanctions or embargoes, which can disrupt supply chains and limit market access. Additionally, legal issues such as intellectual property infringement, contract disputes, or non-compliance with international trade regulations can lead to legal repercussions and financial losses. It is crucial for businesses to closely monitor political and legal developments and adapt their import and export strategies accordingly.

Finally, market and cultural risk should not be overlooked. Entering foreign markets requires a deep understanding of local consumer preferences, cultural norms, and business practices. Failing to recognize and adapt to these factors can result in market rejection, poor sales performance, or damage brand reputation.

Limitations of the study:

- Due to time limit sample size is limited to only 50 which affect accuracy of study.
- Some employees may not give the correct information due to time shortage and hectic schedules.

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