International Business Challenges Faced by EXIM Companies

Rashmi Gujrati[1], Hayri Uygun[2], Vandana Raghava[3] & Giuseppe Granata[4]

[1] Campus Director KC Group of Institutions, India
[2] Recep Tayyip Erdogan University, Turkey
[3] Professor and Dean Research, IITM, Janakpuri, New Delhi, India
[4] University Mercatorum of Rome

Abstract—*International business concept is no longer but in reality, it is practical firms which has large and small face. In 21st century a firms who want to survive have to tackle in all inclusive force which penetrate every business aspects. In international markets a broad extent of manufacture from Automobiles, Healthcare to Food and Textiles firm are facing pressure of global struggle. There is no longer alternative to determine, not to impart in the international market. Inspite of their size, All firms, have to skill scheme in the broader theory of world markets to expect, answer and get used to the dynamic boundary of these markets.*

As domestic country marketing is easy to do, but international marketing is not easy do. Company has to face many problems in International marketing when they go across the boarder.

Compare of national market in international market there are bunch of dynamics challenges which they has to face. In New region there are many issued have to face in market due to variety of culture and political reality in different countries, which create abundance of hindrance for a company in the international market. In Domestic market company faces small number of problems bu when company entered in global market then they have to face number of problem which we are going to discuss in our paper.As the firm enlarge in global, it will need to move away from country-centered strategies and improve collection and skillfulness across national markets, investing its ability and skills to acquire in marketing they have to face a leadership position. This paper will explain how the Export and import companies face challenge in doing global business.

Keywords: *International Business, Global marketing challenges, Geopolitical trade variations.*

INTRODUCTION

In different regions of the world a company who is doing business in many countries is a international company. A company who sells goods and services in various countries but manufacture in his own country. In 2000 globalization has become general trade in mainstream. GDP of Goods and services reached on 25% world wide of if international trade. [Govindarajan, V. & Gupta, A. 2000], Since 1955100 times international trade has multiple in the term of goods and services. [Schifferes, S. 2007]. For international presence number of important challenges increase in globalization. To assure at a world wide level many of planned characteristic necessity assumed into account level.and afterwards. At local, regional and international levels to altering patter stable elasticity is essential to become customary.

By a handful of nations financial system is no longer forbidden in the universal.The intercontinental marketplace. A mercantilism and its position need to understand the convoluted workings.Company which is rising that is only one export & import which has been connected in the world more progressively. Approximately from any where in the world it has become easy to purchase product in the world. Urgent trade goods are always Food and big technologies. now every things are available, it may be a big company or a small or a normal person who is acting behind the screen. To shipping goods across the world export and import companies are coming up with change of integrity ways, for a deliver customer don't wants to wait for a week. However export & import companies are still facing heavy financial challenges.many of traders are gone wronge and many of trades are doing local and international business. Export import companies will be in big lose if trade fiance will not managed correctly. There is a lot to consider and to understand that we are doing business with multiple countries.

OBJECTIVE

The purpose of this study is to understand the challenges faced by the export import firms at the time of international trading Post GST in India. In addition, the challenges faced by importing companies in Italy are also taking shape.

RESEARCH METHODOLOGY

Through survey Data has been collected through the primary and secondary based. In order to achieve the objectives of the study, primary data is collected through a questionnaire. A pilot study was conducted with 20 questions drawn with the help of Sampling Method to specifically cover the challenges of EXIM firms. One exporter and One importer from four sectors (HealthCare, Textile, Metals and Food) are picked for better generalization of challenges. The same research was also conducted in Italy using the same parameters.

LITERATURE REVIEW

Due to climate change, rise of worldwide terrorism, social inequalities, food shortage, material and spiritual poverty. The world is facing lot of crises. Many of the issues has been modified by the world but others are not agree to be part of statement.

In the international market need to understand about the product , labour, capital ,knowledge because it is strength of the market which need to understand by the human for the continuation for current and future Eco systems.

These changes are determined by the growing inter contentedness of financial systems, worldwide trade, increased labor mobility, in sequence and interactions technology, and foreign direct investment.

Some scholars argue that we have enthused further than the age of globalization toward an age of globalist. In such an age, personality actions, local business practices and national politics all have global impact; it therefore matters on more than one stage how we think about business in a global group of people. In this figure, we wish to make accessible space to global perspectives on how we can reorder and shuffle global business and decision-making practice to be a part of the explanation to our global troubles. More highly we hope that this assistance make available impulsion for further research, practice and pedagogy development. [Lupton, Nathaniel & Pirson, Michael; 2014]

CHALLENGES FACED BY EXPORT & IMPORT COMPANIES

There are many risks and challenges implicated in EXIM business. Different types of risks involved are:

FINANCIAL RISK AND LOANS

Export Import companies are significantly affected by financial crisis. The nature of this business is to do constant and instant business but most of the time they didn't get there supply on time, and when it gets trapped at customs, they finish up with cash deficiencies. If they want to get money form bank immediately no bank give loan there where lot of process to get money from bank. The procedure takes far too long. Moreover, it's more complicated and next to impossible task for small to medium enterprises (SMEs) to get bank loans. This risk refers to risk of high demurrages levy, late payment, shipment abandonment and failure to pay or fraud by foreign buyers.

Fraud by foreign buyers specifically in Textile industry which deals majorly on 100% payment at the time of delivery is hard to prevent for an exporter as most of the time they are unaware of buyer's credit merit and standing dues to other firms or Financial Institutions. Thus, it is necessary for the exporters to collect reports from abroad credit agencies about the financial potency and business status of buyer's. Collections of expenses using the methods that are accessible (open-account, prepayment, consignment, documentary collection and letter of credit) are not only more lengthy than for domestic sales, but also more complex. Thus, companies must carefully weigh the financial risk concerned in doing international dealings.

POOR QUALITY RISK

This is the risk of negative response of whole shipment after the entrance at importer's location due to poor quality of exported goods. So, Importers should make vendors to send mandatory quality check observation reports to the Importer before exporting the same. Sometimes importers may ask a pre-shipment examination that will be conducted by a independent inspection company or it may be indicative by the exporter to the importer during the cooperation stage that such an inspection be accepted out as part of the agreement. Such an examination protects both the importer and the exporter. The costs for the scrutiny should be settled mutually by the importer and exporter or it may be negotiated to be integrated in the contract price.

TRANSPORTATION RISKS & LOGISTIC RISK

This is the threat of transferring goods from one country to another. While transporting, there is the risk of theft and damage of the goods. As per Annual Report of FedEX 7% shipments annually are not delivered to consignee because of damage of products. It is advisable to EXIM Companies to have Product Insurance to avoid unnecessary losses. Logistics Firms like UPS, FedEX, DHL, DB Schinker provide in-house product insurance on shipment to shipment basis by applying some extra charges.

In Food Industry specifically products with short expiry dates risk is very high because in most of the countries Quality Assurance and Other Administering agencies give clearance only to those commodities having shelf life more than 66% [ICEGATE INDIA, DGFT Portal]. Eatables like dairy items or assorted vegetables having shelf life of 90-120 days are not feasible to ship by sea.

LEGAL RISKS & POLITICAL RISK

This risk arises due to changes in laws and regulations of nation. The changes commonly are different from country to country. So, it is crucial for the exporter to drafts a contract in combination with a legal firm, in this manner ensuring that the exporter's benefits are taken care of. Exporter must be clear about the law and dispute-settlement process that will apply to the contract. Huge care must be taken in assessing the lawful aspects of trade with a particular country. Thus, exporters must be determinedly alert of the policies of foreign governments in order that they can change their strategy accordingly and take the steps to avert loss of business and asset.

UNFORESEEN RISKS

Unpredicted risks arise due to surprising incidence in a country like a radical attack. This may totally wipe out market or goods of a company. So, it is very important for the exporters to make certain a force majeure part to be incorporated in any international contract. This also involves the risk of a country ceasing or restricting right of entry of meticulous goods into their market. This limit is place by the use of embargos, tariffs and quotas. It's may be due to political reasons. For example Indian Government every year bans the import of dairy products from China so there is lot of Unforeseen Risks with Dairy Importers who deal with Vendors from China.

EXCHANGE RATE RISKS

The opportunity of exchange rate group is referred to as 'exchange risk'. The exporter must move toward the Foreign Exchange division of his bank prior to quoting any prices internationally. Prevarication scheme is a policy that the exporter could pursue in order to defend against the pressure of exchange rate movements.

In their financial formulation export and import companies wants to make and take delivery of endless overseas payments, exchange rates are highly significant. Unfortunately, their is instability in exchange and also some little change of variable can a big disparity.

There where majors losses of amount on way in a big corporation, when they trade in millions. Every one has fear of government and taxes Policies. But export & Import companies have to faced big challenges.

They're dealing with the boundaries of trade agreements and if events are not carefully handled, they can end up in hot water.

This means that you can import or export the same amount of units in successive months, but get paid extensively different prices for them. When you're relying on a certain income for the persistence of your business, these unanticipated swings can cripple you. You might be left in the lurch, not capable to pay suppliers or meet your other expenses.

But the challenges caused by foreign exchange don't stop there. The implementation itself of money transfers can be slow, costly, and can break down.

a) You require setting up a collections scheme. This is particularly applicable when it comes to import finance. If the receiver does not pay you on time, you could be left flailing.

b) Payment processing itself sets it up for a lot of trouble. It require to process payments in harmony with the laws of more than one country. It needs to use competent systems that are suited to overseas payments like wire transfers however bank charges are very high in Wire Transfers but it's the safest and completely legal way of transactions. To increase the profits EXIM firms with lot of monthly wire transaction may ask their bank to provide special international account in which Wire Transaction fees is almost negligible.

CLEARANCE PROCEDURES AND TAXES

Each person dreads system of government and taxes. But import/export companies face the major challenges. They're trading within the boundaries of trade agreements and if proceedings are not carefully handled, they can end up in hot water. Tax is a complicated subject, seeing as different tax laws apply to different locations. In the end, you end up with ample of documentation, along with linked costs and sometimes shipment falls under wrong category and there is huge threat of Shipment Abandonment. Best practice for Import Company is to first identify the correct HSN Code of their product then check if any Restrictions applied by DGFT and then Basic Custom Duty and other taxes applicable on product and clearance requirements from Scientific Institutions of respective Categories on ICEGATE Portal. There are several Inorganic Compounds are of both Industrial and

Pharmaceutical Use small negligence may lead to tagging under wrong department and may attract avoidable Duties and examinations.

IMPACT OF GST ON IMPORT AND EXPORT OF INDIA

Indian economy is fastest growing large economy in the world. The fiscal deficit is the basic piece of equipment to assess a country's economic appearance and it refers to the balance between import and export as no country is fully independent. These factors together with the balance of compensation and trading (import and export) make a decision of the economic providence of a nation. The Goods and Service Tax come into play in India on 1st July 2017. As we already know GST has changed the available business configuration in India, it has also changed the import-export situation in the country.

Currently, GST is making changes in export and import in India by withdrawing wide multiplicity of formerly levied indirect taxes and it have an effect on the Foreign Trade Policy (FTP) of the nation.

The GST treats the import and export of goods as throughway trade under integrated Goods and Service Tax (IGST). Thus, all the IGST supplies are suitable in any kind of good and service supply relating to import and export.

IMPORT: ITC AND TAX STRUCTURE

The import of goods and services came under IGST now with the roll out of GST on 1st July 2017. Though, import has both IGST and Basic Customs Duty in present. The examiner, manufacturers, and traders of goods as well as services can balance their paid IGST against their output accountability i.e., Input Tax Credit. But they cannot take pleasure in any credit for Basic Customs Duty (BCD) and 10% Surcharge under the present GST structure. Citing an example here will be easy to understand this formula. If a company called 'A (Health Care)' imports goods worth of USD 3,000 from USA of HSN Code 3004, 30% basic customs duty is applicable on these imported goods and 10% Surcharge on BCD and 12% IGST.

So Total Charges will be calculated like this:-

*Assessable Value in INR (Conversion Rate 71.26): 3000*71.26 = Rs. 2,13,780*
Insurance (1.19% of Value): Rs. 2,543.98
Transport Charges (20% of Value or Actual whichever is lower): Rs. 13,876

Total Assessable Value of Goods = Rs. 2,30,199.98
Basic Custom Duty (30%): Rs 69,059.99
Surcharge (10% on BCD): Rs. 6,905.9
IGST (12%): Rs. 44,198.27
So After paying Logistics Charges, Insurance, Duties & Taxes the value of Goods will be Rs. 3,50,364.14

EXPORT: ITC AND TAX STRUCTURE

As per the position of supply rules of the new tax command, 0% GST is charged in any export of goods and services from India. After paying the amount on input and input services, they can pertain for the refund as per the 38th section of Central GST Act, 2016.

The end game IGST covers the import and export sectors in India while export is GST free and import welcomes Basic Customs Duty and Surcharge along with IGST rate. As per the Federation of Indian Export Organization (FIEO), the exporters may face liquidity troubles as the domestic companies

May fall around 2% in the market. The commercial exporters may bear from higher observance costs. People can enjoy the fruit of GST in a long run; an early hiccup like liquidity crisis in export is normal as the absolute system is changing under the new tax regime.

FINDING

There has always been dilemma related to Indian EXIM, Some of them I mention here:

1. The high boundaries put up by Indian government. Not only Indian government but also the country you are doing to trade with. The problem is with the numbers of licenses and permissions to be taken before trading.
2. Indian trade policies are not in the same pace with International trade policies. In fact traders consider India a complex market with complexities like paying high taxes, cross-border trading, etc.
3. Another big reason is lack of good infrastructure facilities, both at airports and seaports for storing goods. Also export promotion is very low in India. So Indian government have big challenge in front of them to make export smoother in India.

COST IMPACT ON THE IMPORT AND EXPORT OF ITALY WITH NON-EU COUNTRIES

The Italian economy, after the great crisis caused by the pandemic, began a rapid recovery in 2021 and the prospects for 2022 are very encouraging. The fiscal deficit is the basic equipment for assessing the economic aspect of a country and refers to the balance between import and export since no country is completely independent.

These factors, together with the balance between clearing and trade (import and export), determine the economic providence of a Nation. The tax on goods and services has been changed and is called TARIC (Integrated Community Tariff). The TARIC has been in force since 1 January 2022 and provides for over 760 changes between new codes and existing tariff items subject to changes. This is the main impact of the EU Implementing Regulation no. 2021/1832. The updated NC Combined Nomenclature, which must be used by operators to declare goods to customs for import and export, incorporates the amendments to the Harmonized System SA 2022, a common basis for the customs classification of goods adopted internationally. The new tariff adapts to the technological evolution of goods, as in the case of industrial robots, electronic products and consumer technological objects, but it is also a "green" tariff, which monitors trade in environmentally sensitive products, such as electrical and electronic scrap, fluorinated greenhouse gases, in terms of emissions of tons of CO2, and is attentive to people's health, as in the case of the reclassification of new tobacco products based on the emissions they produce. This is a real general reorganization of the common language of international trade that is the basis of the application of the European Union customs tariff 2022.

IMPORT: TARIC AND TAX STRUCTURE

The import of goods and services is now subject to TARIC with the introduction from 01.01.2022. The customs duty varies according to the type of goods imported and is calculated on the basis of its value contained in the seller's declaration which usually corresponds to the invoice sent with the product.

If a check is carried out and the Customs employee detects a mismatch between the amount paid and the value of the goods, this will be re-evaluated and the duty will be calculated on the new evaluation. This procedure is at the discretion of the customs officer, it is based on presumed evaluations and the choice of packages that are opened to verify the contents is done randomly. In any case, the tax is calculated on the value of the goods including shipping costs and if these are not indicated, an assumed value is also indicated in this case. In shipments to the European Union, the duty corresponds to the Integrated Community Tariff (TARIC) which is calculated as a percentage according to the product tables introduced by Reg. (EEC) no. 2658/87 to the first customs of entry into the Union. The amount of the duty (TARIC) is available on the website of the Customs Agency in Italy.

By citing an example here it will be easy to understand this formula. If a company called "A (cereals)" imports goods worth € 10,000 from the Russian Federation with code 1008, a basic customs duty of 15% plus VAT of 22% is applied to these imported goods. Then the total charges will be calculated like this: -

Insurance (0.90% of the value): € 90

Transportation costs (20% of the value or actual whichever is less): € 2,000

Total evaluable value of the goods = € 2,090

Basic customs duty (15%): € 1,500

Supplement (22% VAT on € 3,590): € 789.80

So, after paying the logistics, insurance, duties and taxes, the value of the goods will be € 14,379.80

EXPORT: ITC AND TAX STRUCTURE

From a customs point of view, the EU legislation in force does not provide for the payment of duties or customs duties and VAT for export operations to third countries. Obviously, in the country of destination at the time of importation, the rules laid down by the country itself will be applied in this regard. In the event that, for these shipments, the service provided by international couriers or the Post Office is used, it will be necessary to fill in the relative packing slip.

FINDING

The other side of the coin, however, sees a number of weaknesses that characterize SMEs; first of all the fact that their success is so closely linked to the figure of the entrepreneur, this can lead to poor staff training and limit career opportunities in the workplace, which is why qualified professionals are often not attracted to 'go to work in an SME. The traditional problem of SMEs is that relating to the difficulties in finding financial resources, given their often limited ability to offer guarantees to credit institutions, they are more reluctant to invest in projects despite the fact that the business growth opportunities are interesting. Another characteristic limitation of SMEs is that linked to the focus on production, which leads to the neglect of important business aspects such as organizational, logistical, control and marketing ones. Especially low marketing investments lead SMEs to have a rather weak brand and brand strength.

A series of weaknesses of exporting small and medium-sized enterprises are listed:

1. low managerial mentality
2. dependence on the entrepreneur
4. poor career opportunities
5. limited financial resources

6. little investment in marketing
7. organizational deficiencies
8. resistance to change

CONCLUSION

International industry is a great industry to get into but, like all businesses, there are most important challenges to deal with after understanding common challenges faced by several EXIM Companies. I would like to conclude that at the time of custom clearance human interference should be eliminated to avoid unnecessary delay and corruption.EXIM companies should create MOU with logistic Partner to enable half yearly spot rates to avoid over expenses due fluctuation of fuel surcharge.

National banks like IDBI should allocated fast track loan allocation processor of customer having IEC code. DGFT (Directorate General Of Foreign Trade) should integrate all EXIM notification with ICEGATE portal, So that all EXIM companies are aware of government policies.

Furthermore, international trade has suffered from the serious crisis recorded by the pandemic, where international trade has suffered a sharp reduction. Currently, in addition to the pandemic, we have 2 new phenomena affecting international trade: the energy crisis and the Russia-Ukraine war. These two events with their consequences that will manifest themselves very deeply in the coming months, will create great logistical and economic difficulties. If international trade stops, it means that economies and local trade also stop. Therefore, a strong intervention by the World Trade Organization (WTO) is desirable to take measures to revive international trade.

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