

Role of warehousing in Indian trade system

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Abstract

Warehousing in India has been linked to food Security and agricultural growth. More than 40 percent of the agricultural warehouses are run by state enterprises such as FCI, CWC and SWCs. CMCs offer to preserve and protect commodities stored in warehouses on behalf of lenders. Most of the manufacturers have constructed regional warehouses of their own to avoid interstate taxes. Under GST, they can streamline their operations and outsource their operations to 3PLs to save up to 20%. By all this we can conclude that the warehousing in India is not good but we can improve it by introducing renewable energy by which our dependency on gulf country will reduce and by introducing various tax bills like GST.

Keywords: FCI, CWC, SWC, CMC, AMI, GBY, GST, GDP

Introduction

Warehousing in India has been linked to food Security and agricultural growth. The Central Government established state owned and controlled warehousing corporations to enable better storage of agricultural commodities in the 1950s. Over the last two decades, the need for warehousing has also been felt in nonagricultural sectors such as retail commerce.

Warehousing is now seen as an integral part of the supply chain where goods are not only stored for safe keeping, but also where other value processes are implemented, thereby minimizing wastage and costs. These are network of wholesaler which deals with standardized and branded consumer products having rapid sales turnover.

PRESENT SCENARIO OF WAREHOUSING IN INDIA CURRENT CAPACITY

Agricultural warehousing accounts for fifteen percent of the warehousing market in India and is estimated to be worth Rupees 8,500 crore. 14 it is however perceived to be inadequate and unorganized. More than 40 percent of the agricultural warehouses are run by state enterprises such as FCI, CWC and SWCs. 30% of the warehousing capacity is held by unorganized small go down players. These unorganized warehouses lack scale and quality.

Market Failure

We are facing two major hurdles which are predominant in the Indian warehousing market:

1. Information asymmetry.
2. Inadequate nationwide regulation and enforcement.

Information Asymmetry

Insufficient information on a warehouse leaves its users unable to judge the value of receipts issued by that warehouse. From a lender's perspective, the current market comes with risks relating to both the structure of the warehouse, as well as the management. Lenders cannot judge the viability of lending against warehouse receipts issued for goods stored in that warehouse. Sellers of warehousing service have privileged Information about their warehouses which is not available to the buyers of those services.

Inadequate Nation Wide 'Regulation And Enforcement

State laws containing legal consequences for offences committed under them vary from state to state, and are applied inconsistently across the country as a result there is no national standardization for warehouse regulation and enforcement. Market participants must therefore rest heavy Lyon contractual processes, lender, in order to assure protection of the stored goods. Their involvement may vary from operating the warehouse to simply overseeing the operations. Collateral managers ensure the safety of goods stored in warehouses and lenders are subsequently far more willing to participate in warehouse receipt-based lending when a collateral manager is involved. Consequently, a premium is available in the market for service providers that can assure lenders protection against losses, and/or compensation incase losses occur.

Collateral Management Services

CMCs offer to preserve and protect commodities stored in warehouses on behalf of lenders. In addition to physical security, CMCs also undertake to absorb losses to the stored commodities on their balance sheet. These services help bridge the problem of low quality information about the nature of warehousing services being provided. The additional cost of engaging the services of CMCs is therefore a reflection of the price of information that is currently not available in this market. A collateral manager acts as a 'middle-man' between the warehouse service provider and the lender in order to assured protection of stored goods.

Promoting Warehousing In India Gramin Bhandaranyojana (GBY)

This scheme was implemented by the Department of Agriculture and Cooperation, Ministry of Agriculture and has since been merged with other existing schemes to be renamed as Agriculture Marketing infrastructure (AMI) scheme, which is a sub-scheme of Integrated Scheme for Agricultural Marketing (ISAM). The objective of the scheme was to promote construction of scientific warehouses in the rural areas of the country. The scheme provides subsidy of 25%.

Private Entrepreneurs Guarantees

In 2008, Government of India enacted a scheme for creating additional storage capacity for food grains through the private sector, CWC and SWC. Under this scheme, Food Corporation of India (Ed), gives a guarantee often years to private parties for assured hiring of warehouses. For expeditious construction of go downs, it was decided that wherever CWC or SWC have their own land within the identified locations the CWC or SWC will construct go downs on priority for which FCI would give a guarantee of 9 years for storage charges. As of the beginning of year 2015, 121 lakh metric ton capacities had been completed.

Growth Drivers in Warehousing In India

The growth in warehousing in India is primarily being driven by the burgeoning manufacturing activity, increasing international trade and the emergence of organized retail in the country. Increasing private and foreign investments in infrastructure and easing government regulations are further bolstering the growth of the warehousing sector in India. Policy reforms from the government including the establishment of logistics parks in the PPP model, the implementation of the Warehousing and Development Act 2007 and serious attempts to roll out Goods and Services Tax (GST) are added reasons for the expected expansion in the warehousing sector.

As we all that our warehouse management and maintenance is not good as compared to other countries. So, the solution for this problem is introduction of renewable energy from renewable resources [like solar energy, hydro energy]. We can power our warehouses by these renewable energy by which they get modernized and have clean energy source. This will also help us to decrease dependency on gulf countries and absolutely will increase our Indian economy and GDP of our country.

Scope of renewable resources in transportation

Solar powered vehicles drive the future

Like solar-powered homes, solar vehicles harness energy from the sun by converting it into electricity. This electricity fuels the battery that runs the vehicles motor. Instead of using a battery, some solar vehicles direct the power straight to an electric motor. Great examples of the latest solar powered vehicles are the University of Michigan solar vehicles, the MIT solar vehicles, and the Berkeley solar vehicles.

Technology used in solar powered vehicles

Solar vehicles use photovoltaic cells to convert sunlight into energy. Photovoltaic cells are the components in solar panels that convert the sun's energy to electricity. They're made up of semiconductors, usually silicon that absorbs the light. The sun's energy frees electrons in the semiconductors, creating a flow of electrons. That flow generates electricity that powers the battery and the specialized motor in solar vehicles.

Benefits of solar powered vehicles

Solar powered vehicles have some key benefits. Their solar panels work silently so they don't add to the noise pollution already on the road. Solar panels don't create greenhouse gases, as gasoline engines do.

New tax policies reduce supply chain costs

The introduction of GST will result in the Indian manufacturing sector being globally competitive and will promote entrepreneurial initiatives and economic activity, on the whole. Most of the manufacturers have constructed regional warehouses of their own to avoid interstate taxes. But under GST, they can streamline their operations and outsource their operations to 3PLs to save up to 20%. This is also expected to encourage the construction of centralized warehouses at key strategic locations that can operate on the hub-and-spoke model, in turn outsourcing the logistics activity to the organized segment. However, tax rates and structure are yet to be decided

Conclusion

By all this we can conclude that the warehousing in India is not good but we can improve it by introducing renewable energy by which our dependency on gulf country will reduce and by introducing various tax bills like GST which help us to fix the tax rates on items for life time and both these two aspects will increase our India GDP and economy rapidly.

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