

**ALFRED NOBEL UNIVERSITY  
DEPARTMENT OF GLOBAL ECONOMICS**

**Bachelor's Thesis**

*Title of the Thesis*

***THE DEVELOPMENT AND IMPLEMENTATION OF THE INTERNATIONAL  
INVESTMENT PROJECT: FREIGHT DELIVERY SERVICE BUSINESS IN INDIA***

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**ALFRED NOBEL UNIVERSITY**  
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**The Bachelor's Thesis  
 Assignment**

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no	Stages	The deadline for submission	
		Schedule date	Actual date
1	Chapter 1		
2	Chapter 2		
3	Chapter 3		
4	The whole paper		

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## АННОТАЦІЯ

*Сильвестр Матієнга. Розвиток та впровадження міжнародного інвестиційного проекту: бізнес з доставки вантажів в Індії.*

Дипломна робота представляє інвестиційний проект створення бізнесу з доставки вантажів в Індії. Цей вид бізнесу вимагає капітальних вкладень, навичок досліджень та аналізу економічного та інвестиційного клімату, а також поточної ситуації на ринку та потенціалу розташування бізнесу на місці, що запропоновано у проекті. Основною метою дипломної роботи було вимірювання доцільності, життєздатності та фінансових можливостей запропонованої доставки вантажів в Індії.

Для досягнення поставлених цілей було визначено проблеми, що можуть виникнути у процесі інвестування, а також розглянуто методи їх усунення. Основну частину проблем було виявлено за допомогою збору відгуків та інтерв'ю, проведеного із зацікавленими сторонами в бізнесі, такими як брокери вантажу, власники вантажних перевезень, фінансові експерти, бізнес-аналіз та ріелтори. Також в роботі шляхом проведення онлайн-анкетування було виявлено та класифіковано фактори, які впливають на галузь доставки вантажів в Індії. вантажів. Результати цього дослідження послужать керівництвом щодо створення потенційної служби доставки вантажів в Індії.

**Ключові слова:** *інвестиційний клімат, інвестиційний проект, служба перевезень, прямі іноземні інвестиції*

## ABSTRACT

*Sylvester Matienga. The Development and Implementation of The International Investment Project: Freight Delivery Service Business in India*

This thesis work presents an idea of investment in India of freight delivery service Business. This type of Business requires capital investment, investigative skills, research and analysis the economic and investment climate of India, as well as the current market situation and business location potential of the site of such a proposed project. The main objective presented in this thesis is the measurement of the feasibility, viability and financial potentials of a proposed freight delivery service Business in India.

To achieve this, this thesis is going to first identify the problems encountered in the process of making an investment in such a project as the one being examined here, then offer some solutions based on the feedbacks from field research. The bulk of the reported issues encountered in making such an investment in India were collated from opinions and feedbacks from interviews conducted with stakeholders in the business, such as freight brokers, freight owners, financial experts, business analysis and realtors and the others from published literature studies. The other objective of this thesis is to identify and rank the importance of the factors that influence the Indian freight and load delivery industry by conducting an online questionnaire. The results of this study will serve as a guide to establishing a prospective freight delivery service Business in India.

***Key words:*** *investment climate, investment project, freight delivery service, foreign direct investment*

## **ABBREVIATION & SYMBOL MEANING**

GDP	Gross Domestic Product
GNP	Gross National Product
FDI	Foreign Direct Investment
GVA	Gross Value Added
IMF	International Monetary Fund
CPI	Consumer price inflation
CAGR	Compound Annual Growth Rate
INR	Rupees
IIT	Individual Income Tax
VAT	Value Added Tax
UNDP	United Nations Development Programme
HDI	Human Development Index
CPI	Consumer Price Index
BRIC	Brazil, Russia, India, China and South Africa
BOP	Balance of Payment
UNESCO	United Nations Educational, Scientific and Cultural Organization
WIPO	World Intellectual Property Organization
ILO	International Labor Organization
ICADR	International Centre for Alternative Dispute Resolution
IT	Information Technology
DIPP	Department of Industrial Policy and Promotion
IBEF	India Brand Equity Foundation
EoDB	Ease of Doing Business
NHAI	National Highways Authority of India
FICCI	Federation of Indian Chambers of Commerce & Industry
BRIT	Bilateral Investment Treaties

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## INTRODUCTION

The global freight forwarding industry is undergoing massive change. It is recently reported that the global freight forwarding market has an opportunity to increase in 2020 this is true within air freight and sea freight. Forwarders in land, sea and air are quickly adopting and responding to use of technology advances available to them. These advances have allowed the market to grow beyond boarder quicker than in the previous years. New digital forwarders and digital marketplaces are emerging with many companies offering digital services within the international air, sea and land freight sector.

Amid the COVID-19 crisis and the looming economic recession, the Road Freight Transportation market worldwide will grow by a projected US\$1.4 Trillion, during the analysis period, driven by a revised compounded annual growth rate (CAGR) of 4.9%. Road Freight Transportation, one of the segments analysed and sized in this study, is forecast to grow at over 4.9% and reach a market size of US\$4.8 Trillion by the end of the analysis period. An unusual period in history, the coronavirus pandemic has unleashed a series of unprecedented events affecting every industry. The Road Freight Transportation market will be reset to a new normal which going forwards in a post COVID-19 era will be continuously redefined and redesigned. Staying on top of trends and accurate analysis is paramount now more than ever to manage uncertainty, change and continuously adapt to new and evolving market conditions.

India's transport sector is large and diverse it caters to the needs of 1.3 billion people. In 2007, the sector contributed about 5.5 percent to the nation's GDP, with road transportation contributing this share. India's growing economy has witnessed a rise in demand for transport infrastructure and services.

However, the sector has not been able to keep pace with rising demand and is proving to be a drag on the economy. Major improvements in the sector are therefore required to support the country's continued economic growth and to reduce poverty. Good

physical connectivity in the urban and rural areas is essential for economic growth. Since the early 1990s.

However, few improvements reached the rural areas where more than 70 percent of people live and depend on agriculture. A balance of payments crisis in 1991 led to policy reform with the emphasis on liberalisation, decentralisation and private-sector investment, increasing opportunities for small scale and medium scale enterprises to strengthen markets and create employment at the grass roots level.

Roads. Roads are the dominant mode of transportation in India today. They carry almost 85 percent of the country's passenger traffic and more than 60 percent of its freight. The density of India's highway network at 0.66 km of roads per square kilometer of land is similar to that of the United States (0.65) and much greater than China's (0.16) or Brazil's (0.20). However, most roads in India are narrow and congested with poor surface quality, and 33 percent of India's villages do not have access to all-weather roads.

India has strain on in land airport infrastructure. Air traffic has been growing rapidly leading to severe strain on infrastructure at major airports. The railways are facing capacity constraints. The country's high-density rail corridors face severe capacity constraints. Freight transportation costs by rail are much higher than in most countries as freight tariffs in India have been kept high to subsidize passenger traffic.

The purpose of this study is to develop a swift, efficient and affordable way to move freight across India and help Indian businesses attain their goals and meet customer demands on all loads whether it be regionally or internationally. The aim of this study is to define India's place in the global economy, its current problems and prospects. The issues that are considered and analysed in the study are as follows;

- Analysis of India Economy
- The Place & Role of India In International Economic Relations
- The Development of an International Project that could flourish in India.

In addition to the above, this study will also look at the FDI influences and factors within India.



The aim of the project is to build a system that offers customers competitive pricing of freight delivery services.

Also providing integrated logistics Services offers for customers as follows;

1. Full Truckload- Full and partial dry van services are the most common. Excel at shipping full truckload freight throughout India.
2. Flatbed- If customer has a unique or oversized freight that won't fit in a traditional dry van, Flatbed trucks can be the ideal solution for our shipment.
3. Temperature Controlled- When shipment needs to be chilled, refrigerated or frozen, this detail can be managed. Giving customers real-time updates on their temperature sensitive shipment.

In order to achieve these aims the following has been laid out to assist the customer.

1. Single point of contact and dedicated teams to cover customer business needs.
2. A customer portal providing 24/7 access to customer statement of account, open invoices and paperwork.
3. Tracking and updates available via web or text, to assure customers that shipment will arrive on time.

Object of study is freight delivery service business in India.

Subject of study is development and implementation of the international investment project.

Method. System analysis, questionnaires and theoretical generalization and comparison.

To satisfy this need, an online research was developed in order to acquire enough information regarding the business, the behavioural pattern of the consumers and the market forces.

Potential customers were asked the following questions:

- What type of loads they prefer moving with us, such as refrigerated goods or dry good or heavy equipment.
- Which type of equipment they would prefer moving their loads.

- What is the price per mile that they consider fair?
- What are the factors they look at when choosing a freight delivery service company?

Practical significance. Current realities require the state to implement a clear policy that would boost the economy and allow it to take advantage of the new technologies in freight forwarding and global trade. legislation must quickly react to the trends and needs of many companies in India to meet the world's largest population needs. At the same time, there is need to improve on the road network infrastructure.

## **CHAPTER 1. GENERAL ANALYSIS OF INDIA'S ECONOMY**

### **1.1. Characteristics of India's economy over the past 10 years**

India is the fourth largest economy in the world. It produced \$9.4 trillion in goods and services in 2017. India had rapid growth despite the Great Recession. It grew 6.8% in 2018, 7.2% in 2017, and 8.2% in 2016.<sup>2</sup> From 2008 through 2014, it grew between 3% and 8.5%. That amazing growth rate reduced poverty by nearly 10% in the 2010s.

India is a mixed economy country. India's work force nearly half of it depends on agriculture while about a third of India's workers are employed in the services industry. The service industry makes up and attributes to about two thirds of India's output yearly. The productivity of this segment is made possible by India's shift toward a market economy. The beginning of the 1990s has seen India deregulate several industries. India has privatized numerous governments run and owned enterprises, and focused on attracting more of foreign direct investment (Kimberly Amadeo, 2020).

India is an expanding economy with the gross the gross national product (GNP) investment savings and population increasing. The factors that influence these variables and the dynamics can be assessed with use of macro-economic analysis.

The main contribution to GNP comes from agriculture and also from industrial participation that has increased over the years. India can therefore be justifiably be said to have a dual economy. The Indian government can be said to have involvement in the nation's economic growth. India has a rising private sector and a larger public sector. The public sector usually monopolizes areas restricted to investors such as railways, postal services, military and defense.

In 1951 India began a systematic series of 5 year planned economic development program. This was adopted from the then Soviet example of planning. India's largest employers are mainly the construction and real estate economic sectors right after the agricultural sector. These sectors are used to weigh and measure India's economic activity.

India is also known for its textiles which it exports to many countries mainly African countries. This Textiles industry contributes an estimated \$150 billion to the GDP with making an industrial output of 7 percent as well as 2 percent contribution to the GDP. It also employs over \$45 million workers directly (H. Plecher, 2020).

India is also known for its IT sector exporting services worth \$180 billion of revenue with a workforce of over 4 million workers. India has a large telecoms industry, the second largest in the world when looking at number of internet users, smartphones and mobile phones. India is number 10 in the world when it comes to oil production and is the world's third largest consumer of oil. It also boasts of the fourth largest automobile industry in the world by production. The Indian e-commerce is rising in addition to an ever-expanding retail market which makes up 10 percent of India's GDP. Natural resources in India make up the world's fourth largest with mining contributing 11 percent of GDP in the country. India produces, coal, cement, steel and is third largest electricity producer.

India is an attractive country for outsourcing and a cheap source of imports. India's economy has about five comparative advantages as follows:

1. India has a cost of living lower than that of the U.S.A. This therefore means Indian employees do not need as much income as those in the U.S.A since everything costs less. This is therefore an advantage for investors.
2. India boasts of a great percentage of educated people in areas such as medicine and technology workers as well as in other sectors.
3. India's greater population speaks English while English is one of India's officially declared subsidiary languages because many Indians speak it. This fact added to high level of education and the wage differential makes India an attractive country for investment to investors. Many countries mainly the USA has outsourced employees from India because of this fact. Outsourcing of USA to India is estimated from range of 104,000 to 700,000.
4. India has a population of at least 1.3 billion people that hails from a wide range of economic as well as multi-cultural backgrounds. India's diversity therefore can fall

on being a strength or a challenge. The urbanization level of India rose to 34% in 2018 many people therefore live in the cities and many leave rural areas to live in the cities. Many youths are educated and look for better and higher quality of life for themselves and their families.

5. India has a profitable movie industry with some of the most popular actors in the world. The movie industry named Bollywood brings in about \$4.5 billion to GDP of India. Bollywood films cost less to make: \$1.5 million on average versus \$47.7 million in Hollywood. One of the most popular actors in the world is India's Shah Rukh Khan.

These comparative advantages mean great opportunities for investors. Foreign direct investment in Indian companies could be very profitable. The Indian middle class is almost 250 million people, bigger than that of the U.S. middle class. It will continue to drive India's consumer spending and economic growth. In addition to FDI, India has seen more than 100 initial public offerings in the last 18 months. Private equity funding grew in 2012 and 2013, a trend that is expected to continue. Energy, health care, industry, and materials have been the top four sectors. While inbound mergers and acquisitions deals have declined in the last year, outbound deals have increased substantially in the emerging markets in the Middle East, Asia, Africa and South America. These deals are driven by depressed valuations due to the recent recession.

#### GDP of India

Recent years have witnessed a shift of economic power and attention to the strengthening economies of the BRIC countries: Brazil, Russia, India, and China. The growth rate of gross domestic product in the BRIC countries is overwhelmingly larger than in traditionally strong economies, such as the United States and Germany. The years 2008 and 2009 saw a recession globally that affected many countries and economies but however despite all this India still managed to record an impressive GDP growth rates, largely during a period when most of the world was recording negative GDP in at least one of those years.

However, India has not been spared by the global COVID-19 pandemic as India's economy is expected to shrink in size. India GDP growth rate is forecasted to be between -6 percent to about 1 percent this 2020 to 2021. The nationwide lockdown, in wake of COVID-19 pandemic outbreak is estimated to hold India's GDP growth because of the uncertainty and a lot of borrowing is being estimated to battle the COVID-19 battle (Paliwal, 2020).

Real Gross Domestic Product (GDP) Growth Rate From 2002 To 2018 GDP (gross domestic product) looks at the aggregate market value of goods and services which are produced within a country per year. This indicator is important for it measures a country's economic strength. Real GDP is usually adjusted for price changes and is mainly regarded as an important indicator for economic growth. The statistic above shows India's growth of the real gross domestic product (GDP) from 2002 to 2018 and a forecast up until 2021. In 2019 India's real gross domestic product growth was at about 4.23 percent compared to the previous year.



Fig. 1.1. GDP of India between (2002-2018)

In 1991 India started a successful economic liberalization that encouraged trade and also ending some public monopolies, this is one of the reasons for India's success. However India's GDP growth has slowed in recent years this is caused in some way by fast

increasing inflation. The workforce of India seems to be expanding in sector areas of industry and services (H. Plecher, 2020).

This has been aided by international outsourcing of Indian labor force this has been a profitable venture for the Indian economy. India has a strong agriculture sector that has made it a global producer, producing a lot of wheat or tea than any country in the world except for China. The challenge for India's workforce is the ever increasing technological advancements in the mechanization of a lot of industrial processes and the increasingly fast growing population hence making unemployment an issue in India as this is increasing unemployment rate making it remain relatively high (H. Plecher, 2020).

The growth of Indian GDP (Gross Domestic Product) at constant (2011-12) prices in the year 2018-19 is estimated at 6.81% in comparison to 2017-18 growth rate of 7.17%. India's growth in GDP was dragging since 2014-15. The preceding decline having been 6.39% in 2013-14. The growth rates of Indian GVA of Services sector, Industry and Agriculture sector are 7.53%, 6.86% and 2.92%. respectively. India recorded its lowest 1.34% in quarrying & Mining sector with highest recorded growth in Construction sector of 8.74%. Overall GVA growth at constant prices is 6.63%.

Table 1.1

## GDP in India

YEAR	GDP GROWTH %
2018	6.982
2017	7.168
2016	8.170
2015	7.996
2014	7.410
2013	6.386
2012	5.456
2011	5.241
2010	8.498
2009	7.862

Source: (India | Data, 2018)

In graph below shows, India's GDP growth rates for year 2018-19 at current prices is 11.20%. India's GVA growth rates of Services sector, Industry and Agriculture are 12.76%, 12.24%, and 3.96%. Overall GVA growth at current prices is 11.09%.

Table. 1.2

### India's various GDP growth rates

Growth (%) at 2011-12 prices					Growth (%) at 2018-2019 prices			
YEAR	GDP	GVA	GNI	NNI	GDP	GVA	GNI	NNI
2018-19	6.81	6.63	6.89	6.92	11.20	11.09	11.27	11.29
2017-18	7.17	6.94	7.24	7.04	11.28	11.10	11.35	11.28
2016-17	8.17	7.88	8.18	8.12	11.55	10.83	11.56	11.78
2015-16	8.00	8.03	7.99	8.02	10.46	9.30	10.48	10.79
2014-15	7.41	7.15	7.48	7.53	10.99	11.01	11.06	10.92
2013-14	6.39	6.05	6.31	5.98	12.97	12.61	12.89	12.91
2012-13	5.46	5.42	5.14	4.54	13.82	13.52	13.49	13.23
2011-12	5.24	5.22	5.45	5.00	14.43	14.45	14.65	14.59
2010-11	8.50	8.03	7.96	7.83	19.92	18.56	19.35	19.84
2009-10	7.86	6.86	7.86	7.53	15.46	15.51	15.46	15.35
2008-09	3.09	4.31	2.91	2.24	12.46	15.20	12.36	11.87
2007-08	7.66	7.38	8.05	7.77	15.44	14.99	15.56	15.49
2006-07	8.06	8.05	7.99	7.83	17.44	17.37	17.07	17.27
2005-06	7.92	8.28	7.90	7.74	13.99	14.55	13.97	13.99

Source: IMF 2019

The IMF World Economic Outlook of April 2019 confirms India's GDP growth rate is projected at 7.3%. IMF also confirms India is at number 8 of the fastest growing nations in the world with India's average growth rate from 2013 to 2017 being estimated at 7.149%, placing them on 9th highest position in the world.

### 1.2 Inflation Rate of India over the past 10 years

The data above shows India's inflation rate as of 2014 to 2018. The inflation rate of 2015 is shown to have been 5.87% that is a 0.48% fall compared to the rate that was in 2014. The year 2016 shows inflation rate had been at 4.94% that is showing a 0.93%



decline from the year 2015. India's inflation rate for the year 2017 was at 2.49% that was a 2.45% fall from the inflation rate of the year 2016. India inflation rate for 2018 was a bit better standing at 4.86% that was a 2.37% increase from the inflation rate of the year 2017.

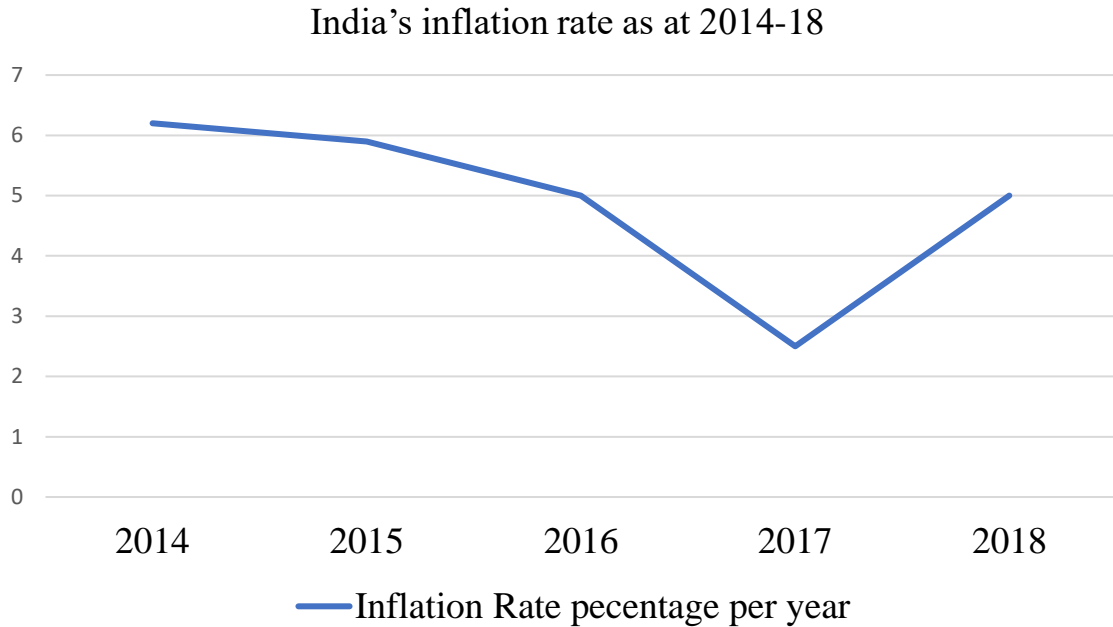


Fig. 1.2.a India's inflation rate as at 2014-18

Source: Data Source: World Bank 2020

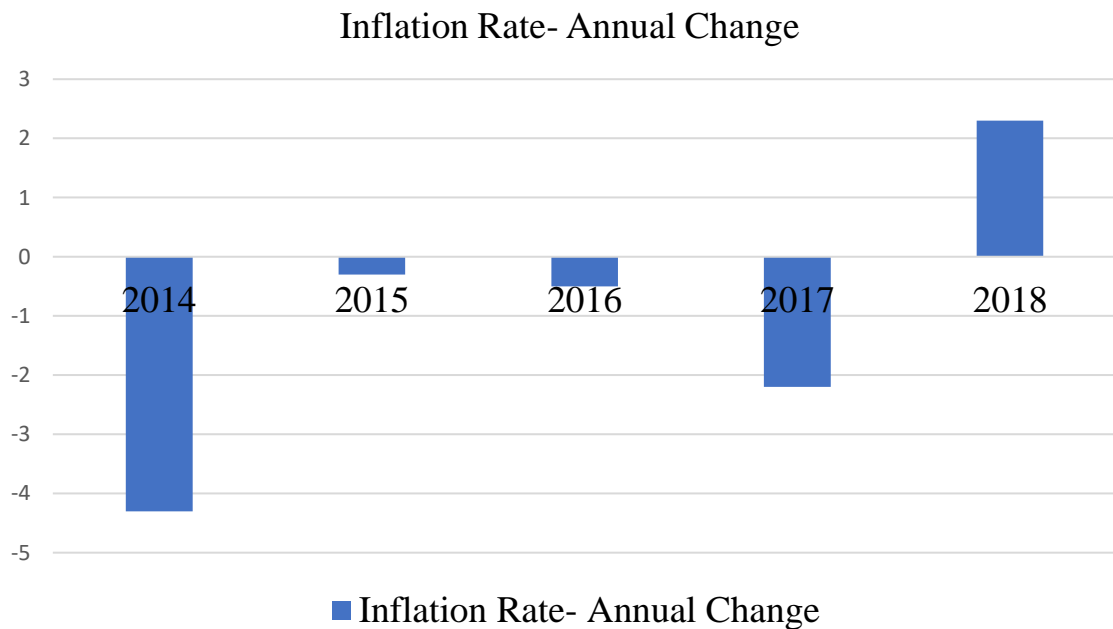


Fig. 1.3 India's inflation rate-Annual Change as at 2014-18

Source: Statista 2020

Table. 1.3

## India Inflation Rate - Historical Data 2014-2018

India Inflation Rate - Historical Data		
Year	Inflation Rate (%)	Annual Change (%)
2018	4.86	2.37
2017	2.49	-2.45
2016	4.94	-0.93
2015	5.87	-0.48
2014	6.35	-4.55

Data Source: World Bank

According to the IMF's forecast, consumer price inflation (CPI) in India will grow to 4.1 percent in 2020, 0.7 percentage points up from an average of 3.4 percent in 2019. In the next 4 years, the inflation rate is expected to stabilize at around 4 percent.

India's retail price inflation was revised lower to 5.84 percent year-on-year in March 2020, from a preliminary estimate of 5.91 percent. That was the lowest rate since last November, as prices rose at a softer pace for food & beverages and miscellaneous, while inflation was virtually unchanged for clothing & footwear. Meanwhile, cost advanced faster for fuel & light and pan, tobacco & intoxicants. India's government did not release headline retail inflation figures for the month of April as the country has been under lockdown amid efforts to contain the spread of the COVID-19 pandemic. The ministry of statistics said data are usually collected from 1,114 urban markets and 1,181 villages through personal visits, which have been suspended since March 19<sup>th</sup>.

Graph 2 and Table 5 show Inflation rate for India in 2018 was 3.4 %. Though India inflation rate fluctuated substantially in recent years, it tended to increase through 1999 - 2018 period ending at 3.4 % in 2018 (Knoema, 2020).

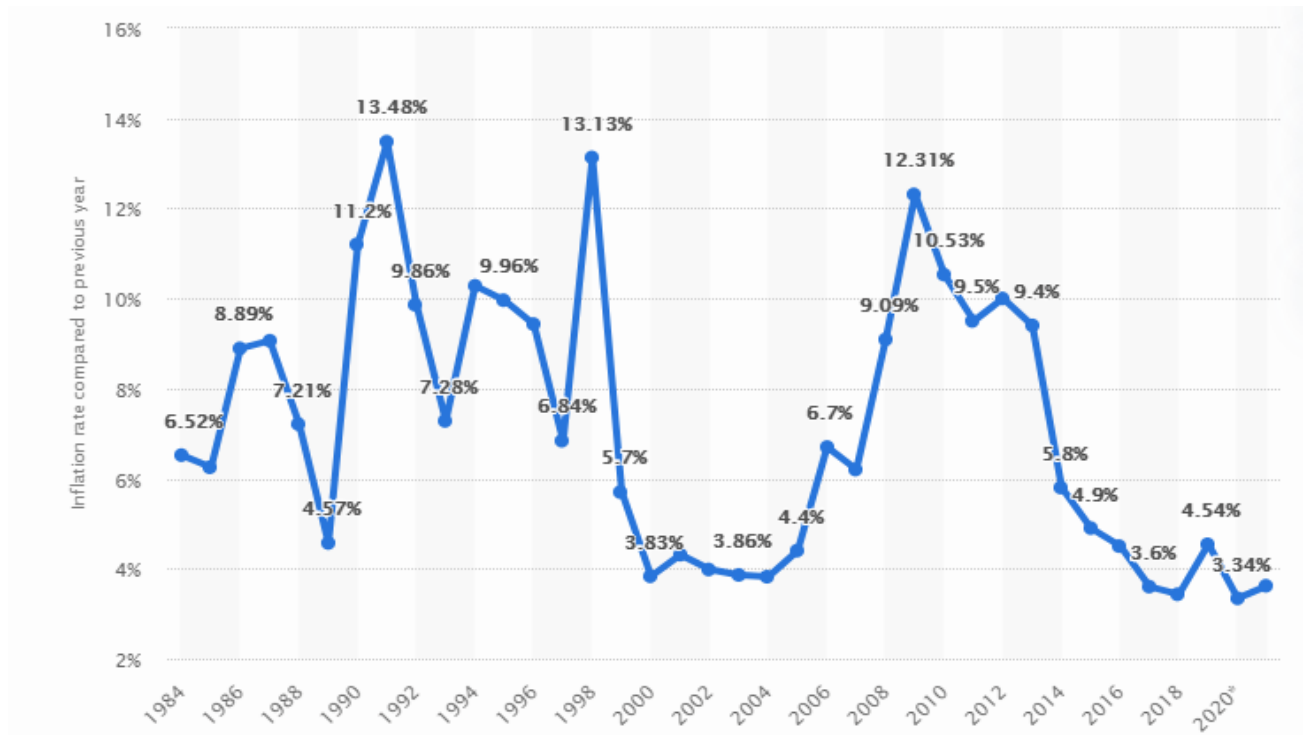


Fig. 1.4 India inflation rate 1984-2020

### 1.3 India's Labour Force

Unemployment rate India. Graph and Table show that in 2018, unemployment rate for India was 2.6 %. Though India unemployment rate fluctuated substantially in recent years, it tended to decrease through 1999 - 2018 period ending at 2.6 % in 2018.

Table. 1.4

#### Unemployment Rate for India

DATE	VALUE	CHANGE (%)
2018	5.3	-1.64 %
2017	5.4	-1.67 %
2016	5.5	-0.97 %
2015	5.6	-0.77 %
2014	5.6	-1.11 %
2013	5.7	0.34 %
2012	5.7	0.25 %
2011	5.6	0.04 %
2010	5.6	1.26 %
2009	5.6	5.40 %
2008	5.3	-0.79 %

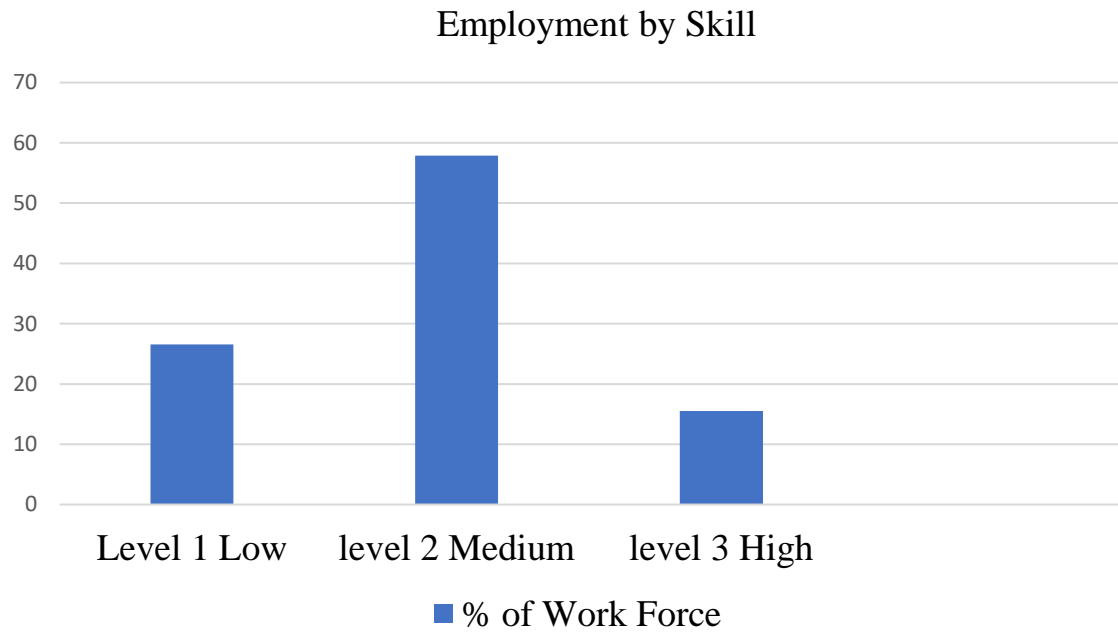


Fig. 1.5 India Employment by Skill: Source: World development Indicator (WDI)

Fig 1.5 shows Indian Formal employment is largely dependent on medium-skilled employments. These include clerical, service and sales workers, skilled agricultural and trade workers and plant machinists. Almost 60% workers are employed in this skill level ( ILO data, 2020).

Over 20% are employed in high-skilled jobs as managers, professionals and technicians. The rest are elementary occupations like cleaners, labors and so on. The below chart shows the distribution of workers across skill levels.

Table.1.5

Unemployment Population Ratio in India.	
Employment-to-population ratio (%)	Labour dependecy ratio (dependents/employment)
50.5	1.71

Source: ILOSTAT 2020

## Impact on Unemployment Rate Due to The Coronavirus (COVID-19) Lockdown in India From January to April 2020

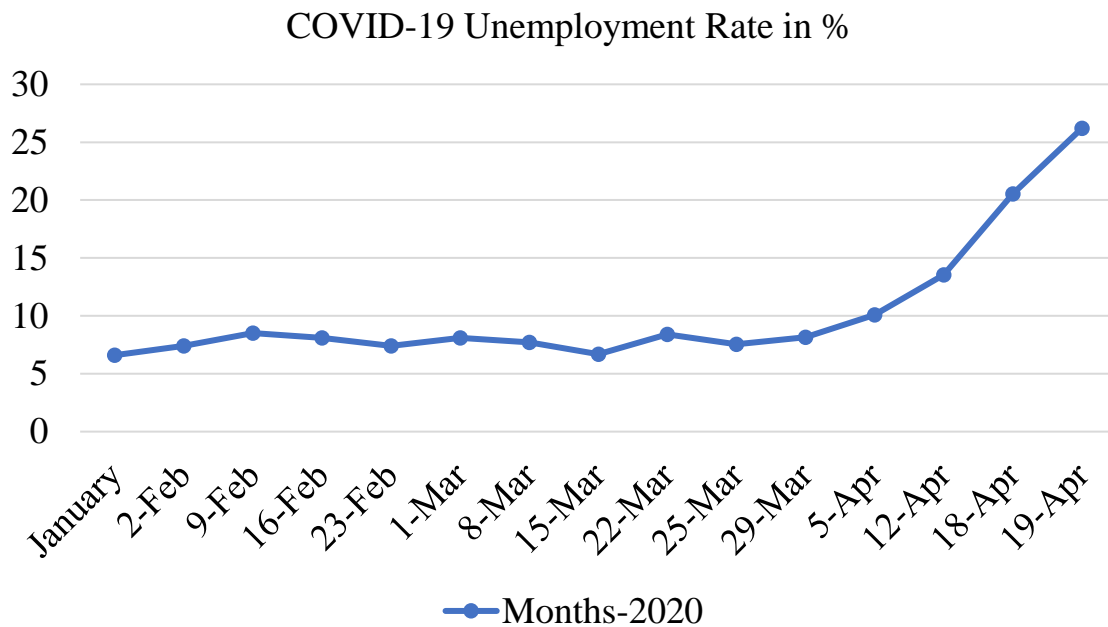


Fig. 1.6. unemployment rate due to COVID-19 lockdown

The diagram above shows the impact of the COVID-19 pandemic lockdown on India. The lockdown caused a damage on India's economy that will be difficult to adjust to and recover from. As the diagram shows unemployment shot up to 26 percent on April 19 2020. This could be awarded to the fact that there was a decrease in demand and a disruption of workforce by many companies as business came to a slow down. This went on to effect a GVA loss of at least 9 percent for the Indian economy in this month. Looking at the months February and April 2020 there were many changes as household shares experienced a downfall in income rising up to nearly 46 percent. General prices of goods and services with food and fuel were forecasted to rise in 2020 causing a raised Inflation rate on goods and services. COVID -19 safety and compliance measures enforced by the government such as social distancing only gave way too many job losses for the workforce especially those Indian societies with a lower economic stratum.

Domestic services were cancelled by numerous households of which these where essential for many people in the lower economic society strata.

It can be noted that most of the impact caused by the lockdown can be easily understood by looking at the economically backward classes, with limited access to employment to take care of themselves in such conditions as well as access to resources. This has forced the government to start aid programs and aid campaigns to help support these households. Those placed under these programs included women, construction workers, farmers, and senior citizens. The government also planned out to also support small businesses in this crisis moment (Sandhya Keelery, 2020).

## **CHAPTER 2**

### **FOREIGN ECONOMIC ACTIVITY OF INDIA: THE PLACE & ROLE OF INDIA IN INTERNATIONAL ECONOMIC RELATIONS.\**

#### **2.1 Export & Import Activity in India**

India's export merchandise as of dates April March 2009-10 to April-March 2018-19 recorded a Compound Annual Growth Rate (CAGR) of 7.09 percent. Exports Merchandise rose to a new high of US\$ 331.02 billion during April March 2018-19 out running the previous peak of US\$ 314 reached in 2013-14 recording a favorable growth of 9.06 percent over previous year.

Collective worth of imports in the period of Apr-Mar 2018-19 was US\$ 507.44 billion in opposition to US\$ 465.58 billion during the resembling period of the earlier year recording a confident rise of 8.99 percent in US\$ terms. Imports of oil in the country where valued at 140.47 billion all along Apr-Mar 2018-19 which was 29.27 per cent greater as compared to imports of oil valued at US\$ 108.66 billion in the comparable time of earlier year. Imports that were non-oil were valued US\$ 366.97 billion during Apr-Mar 2018-19 Non-oil imports this was at a 2.82% more than comparable non-oil imports of the earlier year which were US\$ 356.92 billion.

Trade Balance. India's deficit of trade as of Apr-Mar 2018-19 was predicted at US\$ 176.42 billion however this was greater than the deficit of US\$ 162.05 billion in the comparable time period of the earlier year.

The conduct of the Indian Exports, Import and Balance of Trade in Dollars as of 2009-10 to 2018-19 (Apr-Mar) are presented in the table below.

Table 2.1

India's BOP 2019

Trade Data for Period 2009-10 to 2018-19 (QE)						
(Values in US\$MILLION)						
S No	Year	Exports	Growth, %	Imports	%Growth	Trade Balance
1	2009-10	1,78,751	-3.53	2,88,373	-5.05	-1,09,621
2	2010-11	2,49,816	39.76	3,69,769	28.23	-1,19,954
3	2011-12	3,05,964	22.48	4,89,319	32.33	-1,83,356
4	2012-13	3,00,401	-1.82	4,90,737	0.29	-1,90,336
5	2013-14	3,14,105	4.66	4,50,200	-8.26	-1,35,794
6	2014-15	3,10,338	-1.29	4,48,033	-0.48	-1,37,695
7	2015-16	2,62,291	-15.48	3,81,008	-14.96	-1,18,717
8	2016-17	2,75,852	5.17	3,84,357	0.88	-1,08,505
9	2017-18	3,03,526	10.03	4,65,581	21.13	-1,62,055
10	2018-19(QE)	3,31,020	9.06	5,07,436	8.99	-1,76,416

Source: DGCIS, Kolkata

Current Account data for India BOP stood at -1.391 USD bn by Dec 2019. This is an increased reading when compared with the previous statistics of -6.486 USD bn of Sep 2019. Current Account data for BOP of India is updated quarterly, averaging -10.119 USD bn from Jun 2009 to Dec 2019, with 43 observations. India's trade deficit narrowed to USD 6.76 billion in April 2020 from USD 9.76 billion in the previous month and below market expectations of a USD 7.5 billion shortfall. It was the smallest trade difference since May 2016, as the coronavirus pandemic hit global demand. Exports plunged 60.28 percent to its lowest level since November 2006, mainly due to lower sales of gems & jewelry (-98.74 percent), engineering goods (-64.76 percent), electronic goods (-71.04 percent), petroleum products (66.22 percent), and organic & inorganic chemicals (41.93 percent). Imports slumped 58.65 percent to its lowest since March 2009, due to lower purchases of gold (-99.92 percent); petroleum products (-55.01 percent); coal, coke & briquettes (-43.82 percent); electronic goods (-59.06 percent); iron & steel (-47.93 percent); and organic & inorganic chemicals (-28.73 percent).



### Direction of India's Foreign Trade

The value of India's exports and imports from main regions and or countries both in dollar terms are given in Table below. Share of major destinations of India's Exports and major sources of Import during 2018-19 from April to March.

India's Exports 2018-19(%)

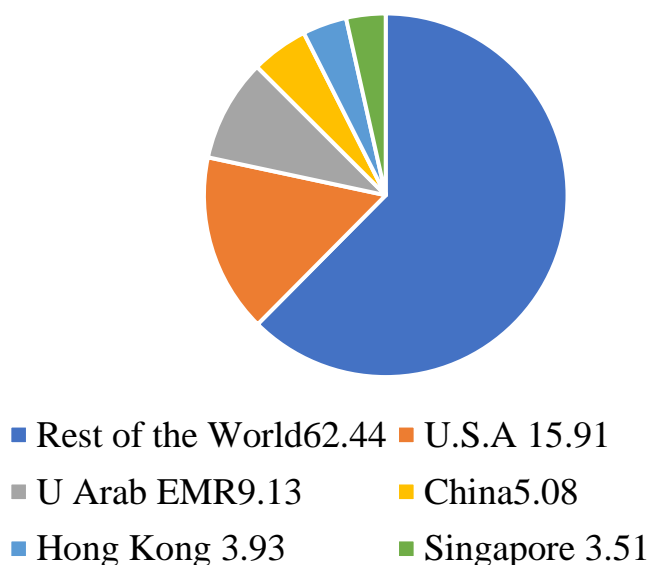


Fig 2.1 Destinations of India's Exports 2018-19

Source: Commerce.gov.India. 2019

At the time April to March 2018 to 2019 the share of Asia comprising of East Asia, ASEAN, West Asia, Other West Asia, North East Asia and South Asia accounted for 48.77 percent of India's total exports. The share of America and Europe in India's exports stood at 20.89 percent and 19.54 per cent respectively of which EU countries comprises 17.36 per cent. During the period, USA at 15.91 percent has been the most important country of export destination followed by UAE 9.13 percent, China P Republic 5.08 percent.

Asia accounted for 62.11 per cent of India's total import during the period 2018-19 followed by Europe and America. Among individual countries the share of China stood highest followed by USA, UAE, Saudi Arabia and Iraq.

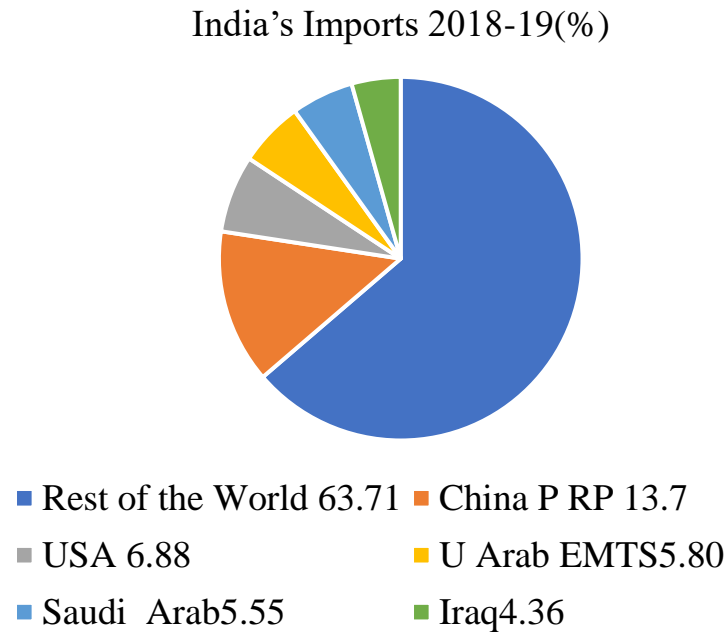


Fig 2.2. Destinations of India's Imports

Source: Commerce.gov.India. 2019

Looking at the year 2018 ratings on importing and exporting statistics India is ranked 19<sup>th</sup> largest exporter having a share of 1.7% and is ranked the 19<sup>th</sup> largest exporter having a share of 2.6% of the world trade merchandise. When looking at commercial services India is ranked 8<sup>th</sup> in large exports having a share of 3.5% and 10<sup>th</sup> in terms of largest imports having a share of 3.5%. China and United States of America are ranked the largest exporter and importer respectively in terms of world trade merchandise.

## 2.1 Assessment of India's investment climate and the degree of its attractiveness

### Investment Climate in India

The investment Climate in India can be examined in five areas, namely;

1. Factor of competitiveness
2. Openness of the economy to FDI
3. Protection of the Interests of Investors
4. The Business Environment
5. Policy Incentives

India is looking to become a US\$5 trillion economy by the year 2024/25 (The National 2020). The investment climate of India has transformed steadily since its economy opened up in 1991. Over the last decade Indian government introduced economic reform measures to revive the economy. The IBF (India Brand Equity Foundation) reports that India has beneficial policies for encouraging FDI (Foreign Direct Investment), tax benefits, and encouraging government policies combined with promising growth prospects, these have assisted the industry to attract private equity, venture capitals and foreign firms into India. India is part of the top 100 countries on EoDB (Ease of Doing Business) rank and ranks number 77 out of 190 countries worldwide. India boasts being first in the greenfield FDI ranking. According to the United Nations statistics India has received Foreign Direct Investment worth US\$ 42 Billion in the year 2018 alone (Sharma, 2020).

#### Factors of Competitiveness

These can be divided into two sections, advanced and problematic. Advances as in evaluated points surpassing the rating of competitiveness of an entire country. Problematic which are below the common country assessment.

The table 1 below according to the Global Competitive Report of the World Economic Forum illustrates the advanced and problematic factors of competitiveness of India.

Table 2.2

#### Global Competitiveness Index

Global Competitiveness index2017- 2019		Factor and Its respective score
Rank (Out of 144)	Score (1-7)	
61.4	4.4	<b>ADVANCED FACTORS:</b> Primary Education and Health -----5.4 Market Size-----6.3 Finance Market Development----4.3
		<b>PROBLEMATIC FACTORS:</b> Technology Readiness-----2.7 Innovation----3.5 Labour Market Efficiency -----3.8

Source: The Global Competitiveness Report 2017-2019

The table reveals the market size is the most powerful and advanced factor that is 1.5 that is higher than India's country wide score of 6.3 and 4.2 respectively.

The size of the Indian market is responsible for attracting foreign direct investment. The investment attractiveness of India to a lesser degree a positive effect growth in the primary education and health and also on development of the financial market.

Technology readiness is a problematic factor with a 1.5 assessment below the ordinary or customary country assessment. The Technology readiness comprises of variables such as accessibility of new technology, Organizations and companies' level of technological absorption, Foreign direct investment and technology transfer as well as internet access and use indicators.

This shows that there are barrier reducing India's attractiveness to Foreign Direct Investment in the Technology sector of the economy. (India slips 10 places on global competitiveness index; Singapore on top, 2020).

#### Openness of The Economy To FDI

FDI in India is restricted to certain sectors of the economy, these areas are Lottery Business, atomic energy and railway transport, real estate business, manufacturing of cigars, cheroots, cigarettes, and cigarillos, manufacturing of tobacco or tobacco substitutes. Trading in transferable development rights. Gambling and betting and business of chit fund, Nidhi company.

The following are areas of the economy that Government of India needs to be consulted for approval;

1. Defense.
2. Broadcasting.
3. Tea Sector.
4. Banking in public sector of the economy.
5. Security Agencies in Private sector of India economy.
6. Pharmaceuticals.
7. B2C e-commerce.

8. Mining and mineral separation of Titanium bearing minerals and ores, its value addition and integrated activities.
9. Multi Brand Product Retailing.
10. Satellites establishment and operation.

The FDI Restrictive Index enables the estimation of the level of legislation restrictions on foreign capital in the investment sector. India index was 0.209 in 2018. This shows approximately the average degree of closeness of the economy. This is lower for India as compared to other Asian countries with higher measures of restrictions on FDI (Invest India, 2020).

### Protection of Foreign Investors in India

India foreign investors working in the cover of the automatic route are permitted equal rights as Indian citizens when acquiring immovable property in the country in when conducting an approved business activity. This is not so in all cases as a registered sale deed does not grant title possession. It is seen only as a record of the sales transaction. It only shows probable possession which can still be debated. Undisputed and sure enough title is obtained through a process of the historical transfer documents that come from the initial owner of the land. A buyer looking to purchase land must before purchasing must study and question all the connecting documents which substantiate title from the initial owner.

Several land holders especially those in the urban areas lack the access to the required chain of documents. This increases uncertainty and risk in land transactions.

India joined (WIPO) World Intellectual Property Organization the Berne Convention and UNESCO. India by the year 2012 adjusted and improved its copyright laws and also signed to WIPO's Beijing Treaty on the protection of Audio-Visual Performances. Nevertheless, the copyright law still holds numerous sizeable challenges when it comes to personal use fair dealing. It also still contains weak protection against unlawful circumvention of technological protection measures.

## Dispute Settlement

India has moved forward in strides in Foreign Direct Investment (FDI) attractiveness and helping to make India more attractive place for investors. These strides are in the form of reforms, measures and policies such as the corporate tax cut, Insolvency and Bankruptcy Code, and GST. India in its efforts to align itself with the rest of the world on commercial contract disputes adjudication they based on the United nations commission on international Trade Law model established and enforced the Arbitration and Conciliation Act. This enables cases done under foreign courts and their judgements to be reviewed and enforceable under multilateral conventions like the Geneva Convention.

The Indian government under the Ministry of law and justice established the ICADR (International Centre for Alternative Dispute Resolution as a way of encouraging and supporting the settlement of domestic and international disputes by use of alternate dispute resolutions.

However even though India worked well in the attraction of FDI it still has a long way to go in addressing some of the investor concerns. These include properly framing frames works that are contractual in nature such as difficulties of investors getting permits and licenses, bottleneck infrastructure, stalled labor and land reforms, instability in tax and tariff structures and the uncertainty over enforcement of contracts and issuing contracts in an efficient and rational manner is key to sustained growth. India has allowed the lapse of treaties such as bilateral investment treaties (BITS) that allowed investors to legal recourse through international arbitration whenever a dispute arose. This gave investors a form of protection.

If economic growth is to be realized issues that pertain to economic rights will require much effective and diligent protection. This would need the enforcement of a judicial system that is active in enforcing contractual obligations as well as resolving cases swiftly. Any such enforcement mechanism on contracts can cause further FDI attractiveness and FDI flows and also increase tax revenues.

## India Interest Rates and Expropriation for Investors

### Conversion and Transfer Policies

In current account transactions Rupees (INR) can be fully convertible. Investor can access or use capital accounts however these capital accounts are subject to various clearance. Investors who are foreign international are allowed to transfer finances from Rupee to foreign currency account and can as well back at market exchange rates. Investments made in areas like real estate, remittance of proceeds from the sale of assets, remittance of proceeds from the sale of shares by a Nonresident Indian (NRI) may require to acceptance by the Reserve Bank of India (RBI) or Foreign Investment Promotion Board. International Investors are also able to repatriate capital, dividends, capital gains, interest income or any kind of compensation without approval of Reserve Bank of India (RBI). Automatic approval to Indian industry for Lump sum fees for technology transfer, royalties, payments for the use of trademarks or brand names, payments to do with foreign joint agreements, royalties are all authorized and approved by the Reserve Bank of India (RBI). 10 percent is charged on lump sum payments and royalties.

All investments and profits received by foreign firms are permitted remittances as long as taxes have been paid. Other sectors of the economy are subjected to special circumstances, these may comprise construction, development projects, and defense. However, profits and dividend remittances by investors as current account transactions are permitted without RBI approval following payment of a dividend distribution tax.

### Expropriation and Compensation

The country's investment image in the years 2010 and 2011 were stained by high profile graft cases that sprung up in the telecoms and construction sectors worsening existing private sector concerns of the uneven application of policies by the Indian government.

### Incentives Policy

India has established the National Investment Promotion in December 2009. Invest India was established as a not-for-profit joint venture between Department of Industrial

Policy and Promotion (DIPP), Ministry of Commerce & Industry, Government of India; Federation of Indian Chambers of Commerce & Industry (FICCI); and State Governments of India.

The declared mission of this agency was to “foster foreign investments in India in a focused, broad-gauge and a standardized manner as well assisting as the first point of contact to give quality support and input to foreign investors.

Investment promotion agency provides the following services:

- a. pre-investment stages
- b. investment stages
- c. subsequent stages

Pre-investment services. This is information on the fact specifics about the Indian industry as well as on the competitive landscape of India.

They also include information on incentives and subsidies & policy clarifications. They assist with assessment of industry opportunity as well as market validation and investment risk assessment. Investment services is offered to investors to assist with expert, specialized reinforcement for documentation work, FDI procedures assistance with knowhow of license acquisition and compliances. Subsequent services offer support and advisory services for expansion of operations, assisting with difficulties in running business due to unlawful interventions, addressing delays in acquiring licenses. Dealing with grievance of public entities as well as government departments, advocating policy changes affecting business and industry. National Investment Promotion Agency’s presence shows Inia’s efforts in committing to attract FDI.

The services provided by National Investment Promotion Agency has a positive impact on the investment climate in the country. This goal is to reduce the number of errors made by investors when entering an unknown market. National Investment Promotion Agency gives investors formation of adequate representations about the risks and business conditions, the size of the market and the estimate of level of costs. It is



important that on many issues not only technical, but also organizational support is available. (National Investment Promotion and Facilitation Agency (Devex, 2020).

The scope and main directions of foreign direct investment in India

#### The Business Environment

India out of 190 countries has risen from number 77 to become number 63 in the World Bank's ease of doing business ranking (Table 2.3).

Table 2.3.

#### India in the ranking of ease of doing business

Factors	Rank (1–190)	Score (0–100)
Contracting with the Government		
Starting a business	136	81,6
Dealing with construction permits	27	78,7
Getting electricity	22	89,4
Registering property	154	47,6
Getting credit	25	80,00
Protecting minority investors	13	80,0
Paying taxes	115	67,6
Trading across borders	68	82,5
Enforcing contracts	163	41,2
Resolving insolvency	52	62

Source: Doing Business 2019: Going Beyond Efficiency. World Bank Group

Table 2 show that in the protection of minority investors India ranks number 13. On lending India ranks number 25. The two low factors for India are construction permits and enforcing contracts with enforcing contracts at number 163 which is however better than 2015's 186 place. obtaining construction permits India takes number 27 better than 2015's number 184.

General Index, India ranks in the middle of the second half of the rating, which indicates the relatively modest role of business environment in ensuring favourable investment climate in the country.

Tax Figures India	
<b>Grossed income</b>	<b>Tax Rate (%)</b>
INR 250,001 - 500,000	10
INR 500,001 - 1,000,000	20
More than INR 1,000,001	30

Individuals in India with a total taxable income of INR 10mil and above will attract a 10% surcharge on total tax payable. Foreign companies functioning in India may find it difficult to handle the complications of the India's tax system. Foreign companies concerned with tax laws in India should pay attention to Individual income tax (IIT) for employees in India, social security costs, VAT, withholding tax, business tax and permanent establishment concerns (Peter Starmer, 2020).

Remote Payroll- foreign companies can payroll its employees in India by using a fully outsourced service like a GEO or PEO which will employ and payroll the staff on their behalf. Local Payroll Administration- foreign companies can have another company administer its payroll. foreign companies can seek a payroll provider, outsourcing a payroll provider. The Provider is responsible for payroll calculations, payments and filings. The foreign companies are still fully responsible for compliance with employment, immigration, tax and payroll regulations (Peter Starmer, 2020).

#### Corruption Perception Index

India is number 80 out of 180 countries on the CPI Index according to the 2019 Corruption Perceptions Index reported by Transparency International.

This index makes use a scale of 0 to 100, a 0 score shows that country is highly corrupted. A score country number 100 indicates corruption free country.

The corruption perception index also explains how the continued failure of most countries to significantly control corruption is contributing to a crisis in democracy around the world.

While India takes the 80th position among 80 countries this rank is also shared by Benin, China, Morocco, and Ghana. Score 41/100, Rank – 80/180.

India's 2020 analysis indicates corruption is more pervasive in countries where big money can flow freely into electoral campaigns and where governments listen only to the voices of wealthy or well-connected individuals, Transparency International.

Table 2.4

## 2019 corruption index- India

Country	Score in 2019	Rank in 2019	Change in rank from '18
Denmark	87	1	0
New Zealand	87	1	1
U. K	77	12	-1
U. S	69	23	-1
India	41	80	-2
China	41	80	7
Brazil	35	106	-1
Pakistan	32	120	-3
Russia	28	137	1
Bangladesh	26	146	3
Somalia	9	180	0

Source: The Economic Times, 2020

## Human Development Index

India moved one step forward to be ranked 129th out of a list of 189 countries in the year 2019. This was confirmed by the Human Development Index (HDI) report published by the United Nations Development Program (UNDP). Human Development Report shows how distribution in a country is organized, it can show inequalities and deprivations. The Inequality and deprivation continue to be high in India. Human Development Index (HDI) shows how we tackle old and new inequalities, ranging from access to basic services such as housing to things like access to quality university education, will be critical to whether we achieve the Sustainable Development Goals. India's HDI for 2018 improved to 0.647 compared to 0.640 the year before. However, when the value is discounted for inequality, the HDI falls to 0.477, a loss of 26.3 per cent due to inequity in the distribution of the HDI dimension indices. This chart shows HDI top five ranked countries and also shows India's position and ranking for the year 2019 (Shoko Noda, 2019). India is ranked 129th below Sri Lanka but above Bhutan, Bangladesh, Pakistan and Afghanistan.

Table 2.5

## Human Development Index

THE TOP FIVE	
Norway	1
Switzerland	2
Ireland	3
German	4
Hong Kong	4
INDIA & THE NEIGHBOURHOOD	RANKING
Sri Lanka	71
India	129
Bhutan	134
Bangladesh	135
Pakistan	152
Afghanistan	170

Source: The Hindu Business Line, 2020

### **CHAPTER 3**

## **DEVELOPMENT OF AN INTERNATIONAL INVESTMENT PROJECT TO ESTABLISH A FREIGHT DELIVERY SERVICE BUSINESS IN INDIA**

Freight delivery service business is trucking of power only cab services. The most relied and popular form of transporting goods in India is via road. As stated by National Highways Authority of India, about 65% of freight and 80% passenger traffic is carried over the roads (Arvind Sanger, 2020). These days there are so many goods being moved on the roads. There are shipments on the road today being loaded and unloaded by company after company. The company comes into assist with moving loads or shipments for such companies. The company offers services known as power only trucking. We are hired to transport products to your specified destination. Our power only cab service not limited to a single trailer shipment, this service can provide a team of drivers depending on load size, number of trailers, and logistical needs. The power only shipping service we provide allows our customers to move their shipment locally, long distance, city to city and international borders.

Our power only truck can hook up to many different trailer combinations that carry loads. This is because they use an adjustable fifth wheel that aids our truck to fit to different trailer dimensions. Our company charges customers based on the weight of the loads and standard size of the load such as is it a oversize load. This service is great for companies that have more loads needing to be moved, such as mining companies, super markets, lumber industries, farmers just to name a few. It also works great for companies that have unexpected cargo that needs moved but nobody available to transport.

### 3.1 Analysis of the Indian Trucking Market

In 2018 the Indian trucking market was valued at US\$9,054 Million. The market is currently experiencing double digit growth rates that are catalysed by the reason that Trucks offer many advantages over railways.

- Trucks as compared to rail transport can accept goods in smaller quantities.
- Trucks are able to reach very remote and rural areas as well as hilly or mountainous regions.
- Trucks require less time when it comes to loading and off-loading of goods as compared to rail.

To add on to the above India's strong economic growth has also been a major driver of the truck industry. The strong economic growth has further catalysed the growth of sectors such as infrastructure, real estate, logistics, mining, to name a few. Other factors that are driving this market include rising incomes, urbanization, growth in the rural economy, e-commerce, just to name a few.

In transporting agricultural produce efficient logistics become an even bigger challenge to Indian farmers, in some cases agricultural produce is wasted as it fails to reach its destination on time.

Mode Share of Freight Movement in India (%)

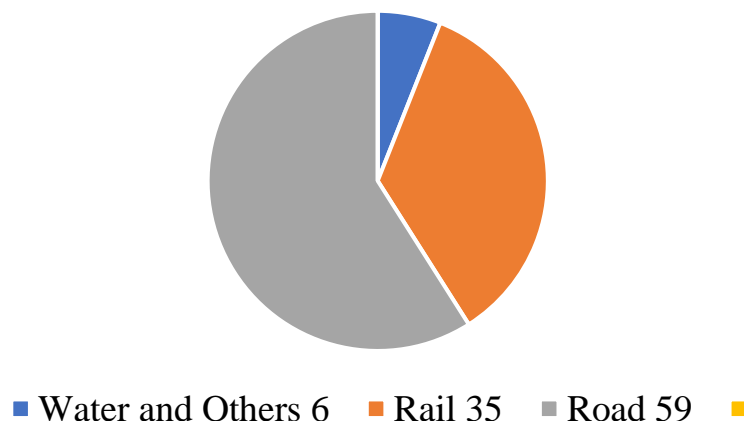


Figure 3.1 Percentage Share of Freight Movement in India

Source: Commerce.gov.in. 2020.

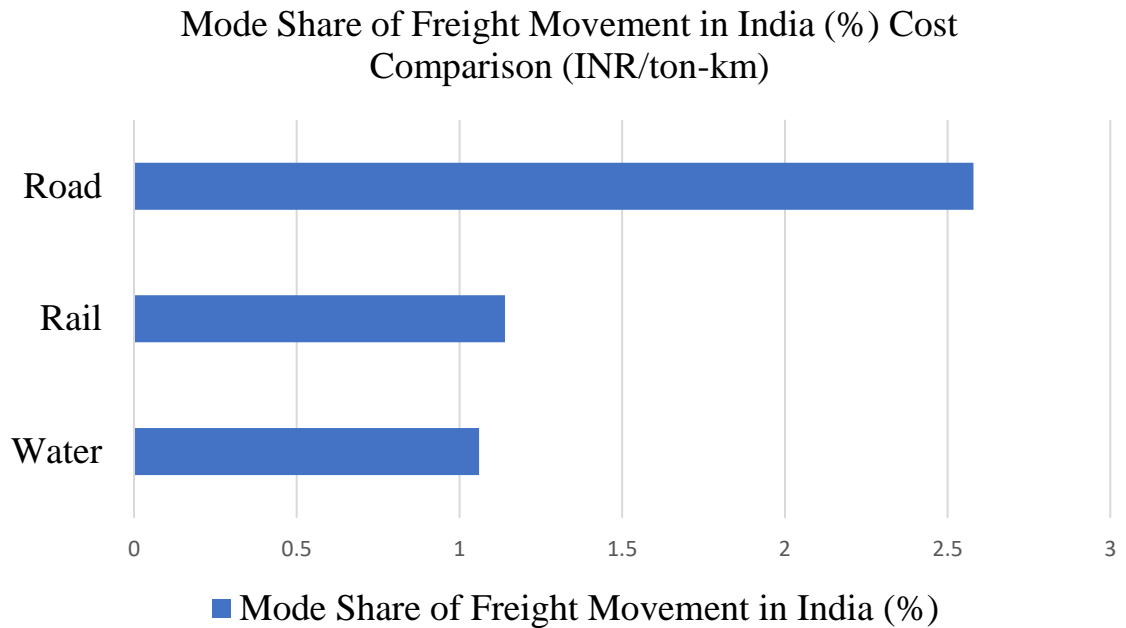


Figure 3.2 Percentage Share of Freight Movement in India  
Source: Commerce.gov.in. 2020

### Competitive Landscape

It has also been analyzed the competitive landscape of the trucking market has competitors namely Tata Motors Limited, Ashok Leyland Limited, VE Commercial Vehicles Limited, Mahindra & Mahindra Limited, SML Isuzu Limited, Daimler India Commercial Vehicles Pvt. Ltd, AMW Motors Ltd., MAN Truck & Bus, Hino Motors Sales India Private Limited and Scania Commercial Vehicle India Pvt Ltd.

### Road network in India

India has the second largest road network in the world with a road density of 1.70 km per square km of land. The road network in India has reached over 5.9 million km in 2019. India has around 4.63 km of roads per thousand people. Indian roads are a mix of modern highways, and narrow, unpaved roads. Today paved Indian roads consist of more than 62.5% of total Indian roads. This makes freight movement in India easier because of more good road than bad roads (Meha Agarwal 2017).

### 3.2 Estimation of Economic Attractiveness of International Investment Project

Table 3.1

#### Investment Requirements for Freight Movement in India

NUMBER	ITEM	COST (rupee)
1	Rent per month 450 sqft	8,000
2	Electric kettle	150
1	Trucks TATA 227 bhp	3,000 000
1	Trailers	650 000
5	Registration of company	7,000
6	Legal Consultations	11,000
7	Tables 3	2,500
8	Chairs 3	1,500
9	Printer / scanner	2,500
10	Telephones	2,000
11	Stationary	500
12	Microwave	500
13	Fridge	2,000
14	Laptop	20,000
15	Commercial Auto Insurance ( <i>united India insurance</i> )	23,000
16	Coffee machine	1,500
17	Security Instalments/ Cameras	9,000
TOTAL		3 741 150

Table 3.2

#### Expenditures

	Job Position	Number of people	Wage/(rupee)Per Month	Total,(rupee)/ month
1	Operations Manager	1	30267	30267
2	Dispatcher	2	22 700	45 000
3	Truck Driver	2	60534	121 068
4	Cleaner	1	11350	11350
	Total Payroll	6	124 851	207 685

Below are the monthly expected expenditures.



Table 3.3

Monthly Expenditures	
Expenditure	month 1 (rupee)
Rent	8,000
Salary	207 685
Fuel	9 000
Depreciation	83.3
utility bills	9,681
advertising	3783
accounting costs	10 000
<b>TOTAL</b>	<b>248 232</b>

Below are the yearly expected expenditures.

Table 3.4

Yearly Expenditures			
EXPENDITURE	YEAR 1 (rupee)	YEAR 2 (rupee)	YEAR 3 (rupee)
Rent	96,000	99,000	29,800
Salary	2 492 220	2 507 685	2 650 685
Fuel	108 000	110 000	110 000
Depreciation	1000	986	976
utility bills	116 172	119 002	120 100
advertising	45 396	48 250	49 250
accounting costs	120000	135 000	150 000
<b>TOTAL</b>	<b>2 978 788</b>	<b>3 019 923</b>	<b>3 110 811</b>

Below are the figures for the expected revenue.

Table 3.5

Estimated Revenue				
Service	Expected Orders Per/Month	Fee per/mile	Total Per Month	Total Per annum
Refrigerated loads	3	50 000	150 000	1 800 000
Dry Loads	5	40 000	200 000	1 400 000
Mining equipment/stones Ores	2	70 000	140 000	1 680 000
Adverts on Trailer	1	20 000	20 000	240 000
<b>TOTAL</b>	<b>6</b>	<b>180 000</b>	<b>510 000</b>	<b>5 120 000</b>

Table 3.6

## Estimated Revenue

Service	Year 1	Year 2	Year 3
Refrigerated loads	1 800 000	1 800 000	2 000 000
Dry Loads	1 400 000	1 400 000	1 800 000
Mining equipment/stones Ores	1 680 000	1 680 000	1 800 000
Adverts on Trailer	240 000	240 000	280 000
<b>TOTAL</b>	<b>5 120 000</b>	<b>5 120 000</b>	<b>5 880 000</b>

Table 3.7

## Investment Effectiveness

Indicators	YEAR			
	0	1	2	3
Investment (rupee)	3 741 150	-	-	-
Revenue from Service	-	5 120 000	5 120 000	5 880 000
Expenditure	-	2 978 788	3 019 923	3 110 811
Profit-Tax (PBT)	-	2 141 212	2 100 077	2 769 189
Tax 30%	-	642 363.6	630 023.1	830 756.7
Net Profit		1 498 848	1 470 054	1 938 432

## India Inflation Rate Forecast

The statistic shows the inflation rate in India from 1984 to 2018, with projections up until 2024. The inflation rate is calculated using the price increase of a defined product basket. This product basket contains products and services, on which the average consumer spends money throughout the year.

Table 3.8

## India Inflation Rate Forecast 2020-2024

YEAR	INFLATION RATE
2020	4.02
2021	4.09
2022	4.09

Interest rate = 6.80

Risk percentage = 10%

$$i_{2020} = (1+0.042) * (1+0.068) * (1+0.1) = 1.042 * 1.068 * 1.1 - 1 = 0.224$$

$$i_{2021} = (1+0.049) * (1+0.068) * (1+0.1) = 1.049 * 1.068 * 1.1 - 1 = 0.232$$

$$i_{2022} = (1+0.049) * (1+0.068) * (1+0.1) = 1.049 * 1.068 * 1.1 - 1 = 0.232$$

### Discount Rate Calculation

$$1 \text{ year- } 1 / (1+0.22414) = 0.8169$$

$$2 \text{ year- } 1 / [(1+0.22414) * (1+0.232)] = 0.6631$$

$$3 \text{ year- } 1 / [(1+0.22414) * (1+0.232) * (1+0.232)] = 0.53821$$

Table 3.9

### 3.3 Final Calculations

YEAR	INVESTMENT (rupee)	Net Profit (rupee)	Amortization (rupee)	Cash Flow (rupee)	Discount Rate	Cash Flow Discounted
Base	3 741 150				-	
1		1 498 848	1000	1,499,848	0.8169	1,225,226
2		1 470 054	986	1,471,040	0.6631	975,446.624
3		1 938 432	976	1,939,408	0.5382	1,043,789
Total	3 741 150	4,907,334	2962	4,910,296	2.0182	3,244,462

$$NPV = \text{Discounted cash flow} - \text{Investment}$$

$$NVP = 3,244,462 - 3 741 150 = -496,688$$

$$\text{Profitability Index} = \text{Discounted cash flow} / \text{Investment}$$

$$PI = 3,244,462 / 3 741 150 = 0.87$$

$$\text{Payback period} = \text{Investments} / (\text{discounted cash flow} / \text{years invested})$$

$$PP = 3 741 150 / (3,244,462 / 3) = 3.46$$

## CONCLUSIONS

The theoretical and practical analysis of the project freight delivery service business formation and implementation made it possible to make the following generalizations. This business is generally still attractive. The good profit value projected for the business will enable the investment value made in the first year to be realized within a few months and third year of investment. The proposed investment is still attractive because of the projected range of profit after a 3-year period of investment.

This thesis has documented that the biggest problem with start-up freight delivery service Business in India are infrastructure availability, market competition and Insurance policy covers. Higher insurance cost are crippling especially when carrying multiple loads or larger bulk loads. Advertising, Unforeseen circumstances like natural disaster, bureaucratic problems (in terms of licensing and processing of business ownership applications are the other major issues. It is still currently not easy so easy to acquire and secure financial capital loans for start-up businesses in India.

In relation to the above-mentioned hindrances, the following findings were made that could help other investors who are interested in starting a similar business in the future;

A good market research prior to the commencement of the business to gain insightful knowledge of the market is highly advised. This will lay the foundation for a solid business plan and also to better prepare the investor for the seasonal nature of the business.

A good market research prior to the commencement of the business to gain insightful knowledge of the market is highly advised. This will lay the foundation for a solid business plan and also to better prepare the investor for the seasonal nature of the business.

Unforeseen circumstances like natural disaster can affect a business for example this COVID-19 pandemic. Prospective Investors should have emergency business rescue funds set-aside to cater for such occurrences or have ready short-term funding policy available.

Investor should instinctively prepare for the expensive equipment service changes in demand by making necessary adjustments to balance the business accounts.

Knowing how to manipulate the dynamics of the business around these factors will help to avoid a financial business emergency.

The practical applications and recommendations are as set below, businesses should look at to insure swift movement of goods and potential success.

- Strong Management, right from the management to the delivery partners for e-commerce, the team is well-experienced in their respective functions, and brings in their unique set of expertise.
- Strong IT infrastructure, a company should manage inventory to offering real-time tracking for deliveries and performing consignee address validations, offer e-commerce logistics services that are supported by a strong IT infrastructure that facilitates efficiency.
- Scalable and customized warehousing: Warehouses are an initial for e-commerce logistics in India, offer customized warehousing options to customers.

There is rising interest in FDI in India. India's population and cultural diversity makes it an attractive FDI destination for many companies. Ease of doing business in India is attractive to FDI and the many incentives and guidance given to Investors makes India a less complex destination for FDI.

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