India’s logistics system

Why in news?

India’s logistics and connectivity infrastructure struggles to keep pace with the country’s needs, creating a drag on competitiveness and growth prospects.

Why is logistics sector important?

- It is a *differentiating sector* that can largely affect any country’s exports, thereby adding a significant competitive edge, with the underlying assumption of a robust logistics sector.
- The logistics industry comprises *all supply chain activities*, mainly transportation, inventory management, flow of information and customer service.
- It determines the success of not only the country’s supply chain but also influences it on a global scale.

What is the status of India’s logistics sector?

- India’s logistics are estimated to account for about 14.4% of GDP and more than 22 million people rely on it for their income.
- The Department of Commerce's logistics division for India is given the responsibility for the *Integrated Development of Logistics Sector*.
- The *Special Secretary to the Government of India* is responsible for the development of an action plan to facilitate the overall development of the logistics sector.
- State-wise rankings of logistics sector in India:



To know more about India’s logistics sector.

What is government’s role towards the development of the logistics sector?

- **National Logistics Policy –** The objective of the policy is to boost the nation's economy and corporate competitiveness by establishing an integrated, sustainable and cost-efficient logistics network.
- The policy aims to reduce the logistics cost, which stands at 14% of GDP to 9-10%.
- **National Logistics Law –** The law's provisions will make it possible to assign a distinct logistics account number in place of cumbersome registration processes.
- **Logistics Master Plan –** An Inter-Ministerial Committee will be used to supervise the master plan's execution.
- State wise local logistics strategies will be created in coordination and cooperation with the federal plans.
- **National Multimodal Facilities and Warehousing –** The standards for the *National*

Logistics Platform (iLOG) are currently being finalised in conjunction with the Ministry of Electronics and Information Technology (MEiTY).

- The iLOG will work to integrate a single platform for the various IT solutions that have been developed by various stakeholders, including logistics service providers.
- **National Logistics Workforce Strategy –** The approaches include introduction of a Certified Logistics Professional (CLP) scheme, and to incentivise the engagement of such professionals.
- The *Driver Employment and Empowerment Programme* is one of the strategies, and it aims to lower logistics costs by making truck driving a desired career due to the severe scarcity of truck drivers.
- **PM Gati Shakti National Master Plan –** The Union Budget 2023 doubled the funding of the plan and has announced an outlay of ₹2.4 lakh crore for the Indian Railways.
- Railways offer an economic mode of logistics movement given their pan-India network, which can play an important role in enabling a coordinated and integrated logistics system.

Why railways is vital in improving India's logistics?

- **Convenience over cost –** Freight movement cost is the highest in the road sector, nearly twice the rail cost.
- However, the convenience of road transport has taken precedence over cost, and the railways in India have been losing freight share to other more flexible modes.
- **Rise in container traffic –** The convenience of moving non-bulk commodities has led to an increase in containerised traffic over the last decade.

Non Bulk cargo is commodity cargo that is transported unpackaged in large quantities.

- It has grown from 7.6 million Twenty-foot Equivalent Units (TEU) in 2008 to 16.2 million TEUs in 2020.

TEU is a unit of cargo capacity.

- **China –** China uses special trains to carry containers that connect significant ports to the inland, and has dedicated rail lines to move container traffic and planned double-decker container carriages for greater efficiency.

What is the way forward?

- By focusing on the digital aspect, the government's aim is to upgrade the existing system will lead to faster, better communication with fewer errors and will benefit the sector significantly.
- An integrated logistics infrastructure with first and last-mile connectivity is essential to make rail movement competitive with roads.

- Such a move will facilitate exports by rail to neighbouring countries such as Nepal and Bangladesh.
- Increased adoption of the railways for cargo movement is crucial to improve the country's logistics competitiveness.

Reference

1. The Hindu | India's logistics system

