Infrastructure Status to Logistics Sector

Why in news?

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The government has recently granted infrastructure status to the Indian logistics sector.

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What was the need?

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- India is home to leading industries such as automotive components, pharmaceuticals, cement, textiles, FMCG and e-commerce.
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- Their operations depend hugely on warehousing and logistics.
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- But India is ranked 35 out of 160 countries on the World Bank's Logistics Performance Index (LPI).
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- The logistics spend in India also is almost 13% of the GDP, compared to well below 10% for the advanced countries.
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What is the significance of Infrastructure status?

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- It includes the logistics sector in the master list of infrastructure sub-sectors under a new head 'Transport and Logistics'.
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- Minimum investment and area requirements to get the infrastructure tag for each category like multi-modal logistics park, cold chain facility and warehousing facility have been clearly defined.
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- **Easy Credit -** This makes it easier for companies operating within these segments to raise long-term credit from banks and other financial

institutions at lower rates.
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- The inclusion also makes it easier for logistics companies to -\n
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    1. Access larger amounts of funds as External Commercial Borrowings (ECB)
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    2. Access longer-tenure funds from insurance companies and pension funds
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    3. Be eligible to borrow from India Infrastructure Financing Company Limited (IIFCL)
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- It also helps attract foreign investments.
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- **Lower cost of logistics -** This also means that development firms with larger land parcels can utilise their excess land holdings to develop more infrastructure facilities, thereby boosting the supply of warehousing facilities.
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- The coupled with easier access to capital will eventually bring down the cost of logistics.
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- The LPI measures the state of trade and logistics based on parameters like customs, infrastructure, international shipments, logistics quality and competence, tracking and tracing and timeliness.
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What are the immediate impediments?

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- An inadequate road network and losses that occur during transportation are huge problems.
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- Improvement of India’s road infrastructure at a much faster pace is critical to minimise losses, both economic and environmental.
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Source: The Hindu

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