



KAMARAJ IAS ACADEMY
Only IAS Academy by Grandson of "Perunthalsivam Kamarajar"

INDIA'S LOGISTICS SECTOR

Published On: 09-09-2025

Introduction to India's Logistics Sector

The logistics sector in India refers to the integrated network of transportation, warehousing, freight management, inventory control, and supply chain services that facilitate the movement of goods and services across the country and beyond.

It plays a pivotal role in supporting India's economic growth, industrial output, and international trade.

India's logistics market, valued at around USD 250 billion in 2021, is projected to grow to USD 380 billion by 2025 driven by rising e-commerce, global supply chain integration, and government infrastructure initiatives.

Merits associated with India's logistics sector

Facilitates Economic Growth

- Efficient logistics reduces transaction costs and accelerates the movement of goods.
- Contributes ~14% of India's GDP, acting as a backbone for trade and industry.

Boosts Manufacturing & Exports

- Supports *Make in India* and *Atmanirbhar Bharat* by ensuring raw material supply and market linkages.
- Lower logistics costs enhance global competitiveness of Indian exports.

Employment Generation

- Provides direct and indirect jobs to more than **22 million people** across transport, warehousing, packaging, and IT-enabled services.

Supports Agricultural Supply Chains

- Cold chain logistics reduces post-harvest losses (currently ~30–35% for perishables).
- Enhances farmers' income by enabling access to wider markets.

E-Commerce and Digital Economy Enabler

- Backbone of India's rapidly growing e-commerce sector (~USD 100 billion by 2026).
- Enables last-mile connectivity, rural penetration, and digital payments ecosystem.

Regional Connectivity & Balanced Development

- Development of multimodal transport (road, rail, air, waterways) improves access to hinterlands.
- Reduces regional disparity by integrating rural and semi-urban areas into supply chains

Kamaraj IAS Academy

Plot A P.127, AF block, 6 th street, 11th Main Rd, Shanthi Colony, Anna Nagar, Chennai, Tamil Nadu 600040
Phone: **044 4353 9988 / 98403 94477 / Whatsapp : 09710729833**

Constraints in India's Logistics Sector

High Logistics Cost

o India's logistics cost is ~13–14% of GDP, compared to 8–10% in developed nations.

o Example: Higher freight cost reduces export competitiveness, especially for low-margin industries like textiles.

Overdependence on Road Transport

o ~60% of freight moves by road (higher than global average), leading to congestion, higher fuel consumption, and delays.

o Example: Trucking delays at toll plazas add 20–25% to transit time despite FASTag.

Inadequate Rail & Waterway Utilization

o Freight share of railways declined from 86% to ~27%

o Inland waterways handle <2% of freight though cheaper and eco-friendly.

Poor Infrastructure Quality

o Limited multimodal hubs, fragmented warehousing, and last-mile connectivity issues.

o Example: World Bank's *Logistics Performance Index (LPI) 2023* ranked India **38th**, behind China (19th).

Fragmentation & Unorganized Sector

o 85–90% of logistics players are small/unorganized with limited technology adoption.

o Leads to inefficiencies, lack of standardization, and weak service reliability.

Regulatory Bottlenecks

o Complex interstate permits, multiple compliance requirements, and tax structures despite GST simplification.

o Example: Truckers still face state-level entry restrictions and delays.

Inadequate Cold Chain Infrastructure

o India loses ~₹90,000 crore worth of agri-produce annually due to poor cold storage and refrigerated transport.

o Example: COVID-19 vaccine distribution faced hurdles in rural/remote areas.

Urban Congestion & Delays

o Slow movement in metro cities increases turnaround time and costs.

o Example: Average truck speed in India is ~25 km/h vs. 60–65 km/h in developed countries.

Government Measures to Tap the Potential of India's Logistics Sector

PM GatiShakti National Master Plan (2021)

o Integrates 16 ministries through a digital platform for coordinated infrastructure planning.

Kamaraj IAS Academy

Plot A P.127, AF block, 6 th street, 11th Main Rd, Shanthi Colony, Anna Nagar, Chennai, Tamil Nadu 600040

Phone: **044 4353 9988 / 98403 94477** / Whatsapp : **09710729833**

- oAims to reduce logistics costs to 8–10% of GDP.

- o**National Logistics Policy (2022)**

- oFocuses on digital integration, ease of doing business, and reducing regulatory bottlenecks.

- oKey pillars: **Unified Logistics Interface Platform (ULIP)**, **Logistics Services Portal**, and skill development.

- o**Dedicated Freight Corridors (DFCs)**

- oEastern & Western DFCs designed to decongest passenger lines and improve freight speed .

- o**Multimodal Logistics Parks (MMLPs)**

- o35 MMLPs planned under Bharatmala to provide warehousing, cold storage, and integrated transport facilities.

- o**Sagarmala Programme**

- oPort modernization, coastal shipping, and inland waterways development to promote **port-led development**.

- oReduced cost of bulk cargo transport via waterways (up to 60% cheaper than road).

- o**Bharatmala Pariyojana**

- oDevelopment of **34,800 km of highways** to improve freight corridors and last-mile connectivity.

- o**GST Implementation & E-Way Bill System**

- oSimplified interstate goods movement by removing multiple checkpoints.

- oReduced truck turnaround time significantly.

- o**Cold Chain & Agri-Logistics Initiatives**

- oMission for Integrated Development of Horticulture (MIDH), Pradhan Mantri Kisan SAMPADA Yojana to strengthen cold chain infrastructure.

Conclusion

India's logistics sector is at the heart of its ambition to become a USD 5 trillion economy and global manufacturing hub. Government interventions such as PM GatiShakti, National Logistics Policy, Dedicated Freight Corridors, Sagarmala, and Bharatmala reflect a holistic approach—combining infrastructure expansion, digital integration, and green logistics. These initiatives not only aim to reduce logistics costs but also to enhance export competitiveness, generate employment, strengthen agricultural supply chains, and ensure sustainable growth.

With effective implementation, India can transform its logistics sector from being a cost burden (~14% of GDP) to a strategic enabler of global competitiveness, bridging regional disparities and supporting inclusive development.