

INDIA TO CUT LOGISTICS COST TO 9%: ECONOMY

NEWS: India to cut logistics cost to 9% by year-end: Union Minister Nitin Gadkari

WHAT'S IN THE NEWS?

India's logistics sector is undergoing major reforms to reduce logistics costs from 13–14% of GDP to 9% by year-end, aiming to boost trade competitiveness and economic efficiency. Government initiatives like Gati Shakti, NLP, and multimodal connectivity are central to achieving this transformation.

Context and Recent Announcement

- Union Road Transport and Highways Minister announced that India's logistics cost is targeted to drop to 9% of GDP by the end of the year.
- This represents a major step toward aligning with the global logistics cost benchmark of around 8%.

What is Logistics Cost?

- It is the total expenditure involved in moving goods from origin to consumption.
- Includes transportation, warehousing, inventory carrying, packaging, and administrative expenses.

Current Scenario

- India's logistics costs are estimated at 13-14% of GDP, compared to the global average of 8%.
- As per the Economic Survey 2022-23, these high costs reduce competitiveness and economic efficiency.

Significance of the Indian Logistics Sector

- One of the largest globally, playing a vital role in facilitating domestic and international trade.
- Warehousing and logistics contribute around 13–14% to India's GDP.
- Ranked 38th on the World Bank's 2023 Logistics Performance Index, improving from the 2018 ranking.

Benefits of an Efficient Logistics Sector

- Reduces the cost of goods, enhancing global competitiveness.
- Improves reliability and speed in exports and trade.
- Supports manufacturing and industrial growth via Just-in-Time (JIT) models.
- Facilitates ease of doing business and attracts investments.

- Enhances supply chain resilience, reducing risks and delays.

Challenges Faced

- **Technology Gap:** Low penetration of IoT, RFID, automation causes inefficiencies.
- **Infrastructure Bottlenecks:** Poor road and port conditions, last-mile connectivity issues.
- **High Costs:** Logistics cost remains high due to inefficient transportation modes and warehousing.
- **Over-reliance on Road Transport:** Limited use of rail, coastal shipping, and air freight.
- **Inefficient Warehousing:** Outdated systems, lack of capacity and automation.

Government Initiatives

- **Infrastructure Status:** Granted to the logistics sector, enabling cheaper and long-term financing.
- **PM Gati Shakti – National Master Plan:** Integrates transport and infrastructure for seamless multi-modal logistics.
- **National Logistics Policy (2022):**
 - Aims to reduce logistics costs to 8% of GDP by 2030.
 - Focuses on last-mile delivery, digital integration, and end-to-end visibility.
- **Dedicated Freight Corridors (DFCs):** Eastern and Western corridors under development to decongest passenger routes.
- **Bharatmala Pariyojana:** Highway and corridor development to enhance road connectivity.
- **Sagarmala Project:** Promotes port-led development and inland water transport.

Way Ahead: Strategic Measures

- **Digitalisation:** Reduces paperwork, improves documentation and tracking.
- **Data Analytics:** Enables route optimisation, demand forecasting, and cost control.
- **Technological Upgradation:** Real-time tracking, RFID tags, and automated warehousing.
- **Warehouse Efficiency:** Inventory optimization and just-in-time restocking reduce overheads.
- **Skill Development:** Trained manpower is essential to operate tech-driven logistics systems.

Conclusion

- Efficient logistics is central to India's ambition to emerge as a global manufacturing and export hub.

- With policy support, infrastructure upgrades, and digital tools, India can become a regional logistics powerhouse, rivalling competitors like Vietnam and Indonesia.

Source: <https://www.newsonair.gov.in/india-to-cut-logistics-cost-to-9-by-year-end-union-minister-nitin-gadkari/>