

3. India's Logistics Sector – Economy

Union Minister of Commerce and Industry felicitated winners of the LEAPS Awards 2025 and released the LEADS 2025 report in New Delhi, highlighting achievements across India's logistics sector.

1. Background

The logistics sector plays a vital role in enabling trade, manufacturing, and services by ensuring smooth movement of goods from production to consumption through integrated transportation, warehousing, inventory management, and distribution networks. India's economy, growing strongly and supported by recovery across key sectors and improved supply chains, depends fundamentally on efficient logistics infrastructure connecting producers with consumers, raw materials with factories, and domestic markets with international trade. Historically, India's logistics sector faced significant challenges including fragmentation with most operators being unorganized lacking standardization, high logistics costs exceeding 14% of GDP compared to 8-10% in developed countries due to heavy road dependence, infrastructure bottlenecks including congested ports and poor last-mile connectivity, and limited technology adoption hampering tracking and efficiency. However, India has made significant progress improving its Logistics Performance Index ranking to 38th in 2023, up six places since 2018, reflecting progress in modernizing the sector through policy reforms, infrastructure investments, and technology adoption.

The government aims to reach top 25 globally by 2030 and reduce logistics costs to below 10% of GDP enhancing competitiveness of Indian goods in international markets. The logistics sector provides multiple advantages including supply chain efficiency ensuring smooth flow minimizing delays and reducing lead times vital for businesses to meet consumer demand promptly and optimize production processes, connectivity and accessibility linking various regions and markets contributing to economic integration enabling businesses to reach wider customer base and fostering trade between states and regions, cost reduction through efficient operations in transportation, storage, and distribution enhancing competitiveness as businesses can offer products at competitive prices, job creation providing employment in transportation, warehousing, distribution, and related services contributing to income generation and economic empowerment, technology adoption including GPS tracking, RFID, and advanced analytics improving operational efficiency and productivity, and economic integration facilitating seamless flow of goods and services essential for fostering robust and interconnected national economy. The Union Minister felicitating winners of LEAPS Awards 2025 and releasing LEADS 2025 report highlights government commitment to recognizing excellence and tracking progress in logistics performance across States and Union Territories, providing insights to guide policy formulation and investment decisions for further sector development.

2. Overview of India's Logistics Landscape

Economic Context

1. Indian economy is growing strongly, supported by recovery across key sectors and improved supply chains creating favourable conditions for logistics expansion.
2. The logistics sector plays a vital role in enabling trade connecting domestic and international markets, manufacturing ensuring raw material and finished goods movement, and services supporting e-commerce and retail distribution.

Progress in Performance

1. India improved its Logistics Performance Index ranking to 38th in 2023, up six places since 2018, reflecting progress in modernizing the sector.
2. The LPI ranks countries based on efficiency of customs clearance, quality of trade and transport infrastructure, ease of arranging competitively priced shipments, competence of logistics services, ability to track and trace consignments, and timeliness of delivery.
3. India aims to reach the top 25 globally by 2030 and reduce logistics costs to below 10% of GDP from current levels around 13-14%.

3. Advantages of Efficient Logistics Infrastructure

Supply Chain Efficiency

1. Logistics ensures a smooth and efficient supply chain, minimising delays and reducing lead times.
2. This efficiency is vital for businesses to meet consumer demand promptly and optimize production processes through just-in-time inventory management.
3. Efficient supply chains reduce working capital requirements and improve cash flow for businesses.

Connectivity and Accessibility

1. Logistics networks enhance connectivity and accessibility, linking various regions and markets across India's diverse geography.
2. This connectivity contributes to economic integration by enabling businesses to reach a wider customer base and fostering trade between states and regions.
3. Improved connectivity reduces regional disparities and promotes balanced economic development.

Cost Reduction and Competitiveness

1. Efficient logistics operations contribute to cost reduction in transportation, storage, and distribution.
2. This, in turn, enhances the competitiveness of businesses as they can offer products at competitive prices in the market.
3. Lower logistics costs improve export competitiveness making Indian products more attractive in international markets.

Job Creation

1. The logistics sector is a significant source of employment, providing jobs in transportation including drivers and fleet managers, warehousing operations and inventory management, distribution and last-mile delivery, and related services such as packaging and freight forwarding.
2. Job creation contributes to income generation and economic empowerment particularly in semi-urban and rural areas.

Technology Adoption

1. The industry's embrace of technology such as GPS tracking for real-time shipment monitoring, RFID for inventory management, and advanced analytics for route optimization improves operational efficiency, reduces costs, and enhances overall productivity.
2. This technological advancement positively influences the broader economic landscape through digital transformation and innovation.

Economic Integration

1. A well-developed logistics sector facilitates economic integration by connecting various economic zones and promoting a seamless flow of goods and services.
2. This integration is essential for fostering a more robust and interconnected national economy supporting Make in India and Atmanirbhar Bharat initiatives.

4. Challenges in Logistics Sector

High Logistics Cost

1. India's logistics costs are higher than global averages at around 13-14% of GDP compared to 8-10% in developed countries due to heavy reliance on road transport, which leads to increased fuel consumption and operational expenses.
2. Inefficiencies in handling, documentation, and multiple checkpoints add to costs.

Fragmentation of the Sector

1. Most of the logistics operators in India are unorganised, and the absence of standardisation results in inefficiencies and delays.
2. Small operators lack resources for technology adoption and quality infrastructure.
3. Fragmentation prevents economies of scale and coordinated service delivery.

Infrastructure Bottlenecks

1. Congested ports create delays in cargo handling and increase dwell times.

2. Poor last-mile connectivity particularly in rural areas hampers efficient delivery.
3. Inadequate warehousing infrastructure including lack of cold storage facilities affects perishable goods.

Technology and Skill Gaps

1. Uneven use of digital technologies such as tracking and automation, along with a shortage of skilled professionals in supply chain management, logistics planning, and data analytics, hampers efficiency in the logistics sector.
2. Traditional practices persist in many segments limiting productivity improvements.

Environmental Concerns

1. Heavy diesel use in logistics raises CO₂ emissions contributing to air pollution and climate change.
2. Slow adoption of green and electric transport hinders sustainability goals.
3. Lack of incentives for clean fuel adoption and charging infrastructure constrains transition.

5. Government Initiatives

Dedicated Freight Corridors

1. India's logistics sector is improving due to reforms like GST and infrastructure status, which have increased efficiency and reduced delays.
2. A key development is the Dedicated Freight Corridors—high-speed rail routes connecting major hubs such as Delhi, Mumbai, Chennai, and Howrah, enhancing freight speed and reliability.
3. DFCs separate freight from passenger traffic reducing congestion and enabling faster movement.

Multi-modal Logistics Parks

1. India is developing Multi-Modal Logistics Parks integrating road, rail, and air transport with advanced facilities like warehouses, cold storage, and customs services.
2. MMLPs provide one-stop solutions reducing handling time and costs through seamless modal transfers.

Digital Platforms

Parivahan Portal – Along with SARATHI and VAHAN, digitises driving licence and vehicle registration services integrated through the mParivahan app, streamlining transport administration and improving efficiency in logistics operations.

E-way Bill – The e-Way Bill system under GST is a digital document required for goods over ₹50,000, aimed at reducing paperwork, improving transparency, and streamlining interstate transport enhancing compliance and logistics efficiency nationwide.

Unified Logistics Interface Platform (ULIP) – A digital logistics platform that integrates data from multiple government departments improving transparency and efficiency by providing single-window access to logistics information.

Policy Initiatives

PM GatiShakti (2021) – A national initiative to improve logistics efficiency and reduce costs through integrated, multi-agency infrastructure planning promoting multimodal connectivity, faster project execution, and reduced delays via a National Master Plan.

National Logistics Policy (2022) – Aims to improve efficiency by creating a seamless, integrated logistics system including a single-window e-logistics platform, boosting MSME competitiveness and reducing logistics costs as a share of GDP.

Logistics Efficiency Enhancement Programme (LEEP) – Improves freight efficiency by reducing transport time and costs and enhancing logistics practices through better infrastructure, technology, and tracking systems.

Maritime Amrit Kaal Vision 2047 – Aims to modernize India's maritime sector by expanding ports, improving efficiency through digitalization, promoting green initiatives, and boosting shipbuilding, tourism, and skills.

GST Impact

1. Goods and Services Tax streamlined goods movement in India by removing interstate checkpoints, simplifying taxes, and improving transport efficiency by over 33%, boosting logistics productivity.
2. Elimination of state borders for tax purposes enabled seamless movement reducing transit times significantly.

6. LEADS 2025 Report

Purpose and Methodology

1. LEADS is an annual report released by the Ministry of Commerce & Industry, Government of India, to assess the logistics performance of States and Union Territories.
2. Assessment covers infrastructure including roads, ports, and warehouses, services such as transport and warehousing quality, regulatory environment covering ease of doing business and compliance, and sustainability measuring environmental practices.
3. It offers insights to guide policy formulation and investment decisions for stakeholders.

Four-Tier Classification

The LEADS 2025 report introduced a revised four-tier classification of States and Union Territories based on logistics performance -

1. **Exemplars** - Top-performing States and Union Territories demonstrating sustained excellence across policy, infrastructure, service delivery, and regulatory dimensions.
2. **High Performers** - States and Union Territories that demonstrate strong and consistent outcomes across the majority of performance indicators.
3. **Accelerators** - States and Union Territories that have demonstrated notable improvement momentum and a clear reform orientation in recent years.
4. **Growth-Seekers** - States and Union Territories that are at a foundational stage of logistics system development and institutional strengthening.

Performance Snapshot

1. Top performers include Tamil Nadu, Gujarat, Kerala, and Maharashtra demonstrating excellence across indicators.
2. North-Eastern States and smaller Union Territories show improvement momentum in Accelerators category.
3. States like Uttar Pradesh, Haryana, Telangana, and Odisha in High Performers demonstrate strong outcomes.
4. Mizoram, Tripura, Meghalaya, Delhi, Jammu & Kashmir, and Puducherry showing consistent performance.

7. Way Forward

Strengthen Multimodal Transport

1. Shift freight from road to rail and waterways reducing environmental impact and costs, while developing integrated logistics parks and freight corridors enabling seamless modal transfers, and promoting coastal shipping and inland waterways leveraging India's extensive coastline and river systems for cargo movement.

Reduce Logistics Costs

1. Improve efficiency through digital planning using data analytics and AI for route optimization, streamline taxation ensuring consistent implementation of GST benefits, and reduce transit delays through automated clearances and better coordination, while eliminating inefficiencies in documentation, handling, and storage.

Expand Digital Infrastructure

1. Use of AI for demand forecasting and route planning, IoT for real-time tracking and monitoring of shipments, and data analytics for supply chain optimization identifying bottlenecks and

opportunities, while ensuring interoperability of digital platforms enabling seamless information exchange across stakeholders.

Promote Green Logistics

1. Electric freight vehicles through incentives and charging infrastructure development, coastal shipping utilizing waterways with lower environmental impact, inland waterways developing river transport networks, and carbon-efficient practices including fuel-efficient vehicles and renewable energy in warehouses.

Skill Development and Formalization

1. Train workforce in supply chain management, logistics technology, and operations through partnerships with educational institutions, while encouraging formalization of fragmented operators through incentives and support programs, and building capacity through certifications and professional development ensuring quality service delivery.

Infrastructure Investment

1. Expand port capacity through modernization and new terminals, improve last-mile connectivity particularly in rural and remote areas, develop warehousing including cold storage and modern facilities, and upgrade road and rail networks eliminating bottlenecks and enhancing connectivity.

Conclusion

India's logistics sector is undergoing major transformation driven by policy support, infrastructure growth, and digitalization, with Logistics Performance Index ranking improving to 38th in 2023 up six places since 2018 reflecting modernization progress. The sector provides advantages including supply chain efficiency minimizing delays and reducing lead times, connectivity and accessibility linking regions and markets, cost reduction enhancing business competitiveness, job creation in transportation and warehousing, technology adoption through GPS tracking and analytics, and economic integration promoting seamless goods flow. Challenges include high logistics costs at 13-14% of GDP compared to 8-10% globally due to road transport dependence, fragmentation with most operators unorganized lacking standardization, infrastructure bottlenecks including congested ports and poor last-mile connectivity, technology and skill gaps with uneven digital adoption, and environmental concerns from heavy diesel use. Government initiatives include Dedicated Freight Corridors connecting major hubs, Multi-Modal Logistics Parks integrating transport modes, digital platforms including Parivahan Portal and e-Way Bill, PM GatiShakti for integrated planning, National Logistics Policy creating seamless system, and Maritime Amrit Kaal Vision 2047 modernizing ports. LEADS 2025 report introduced four-tier classification—Exemplars, High Performers, Accelerators, and Growth-Seekers—assessing States across infrastructure, services, regulatory environment, and sustainability. Becoming leading logistics hub requires strengthening multimodal transport shifting freight to rail and waterways, reducing costs through efficiency and streamlined taxation, expanding digital infrastructure using AI and IoT, promoting green logistics through electric vehicles and waterways, skill development and formalization, and infrastructure investment in ports, connectivity, and warehousing.

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