



Mains Practice Question

Q. "Logistics is the backbone of a nation's economic efficiency, and its transformation is essential for India's journey from a developing economy to a developed one." Discuss. (250 words)

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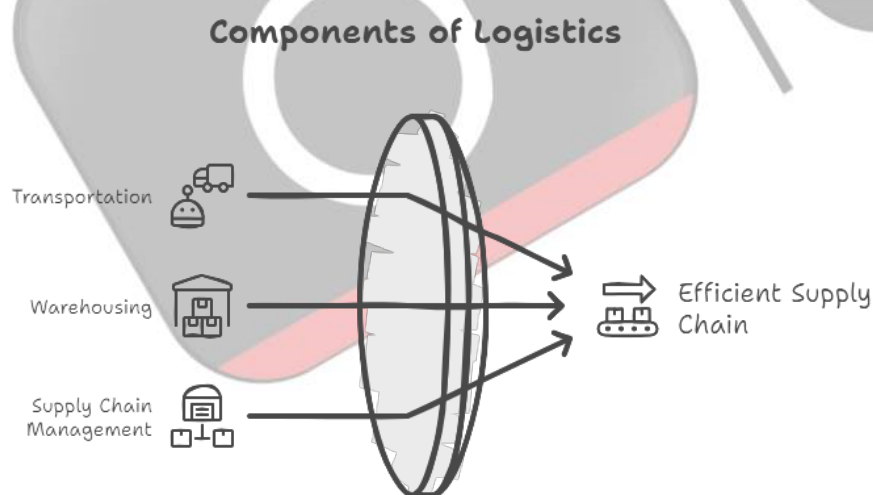
Approach:

- Introduce the answer by briefing about Logistics sector in India
- Give arguments to Logistics as the Backbone of Economic Efficiency
- Highlight Transformational Growth Trends in India's Logistics Sector
- Delve into Persisting Challenges in India's Logistics Sector and Suggest Transformational Reforms
- Conclude suitably.

Introduction

Logistics, encompassing transportation, warehousing, and supply chain management, plays a pivotal role in enabling economic growth by ensuring the smooth movement of goods and services.

- In India, the logistics sector contributes around **13-14% of the GDP**, a figure higher than global benchmarks (~8%), indicating both its importance and inefficiencies.



Body:

Logistics as the Backbone of Economic Efficiency:

- **Enabling Supply Chain Resilience:** Logistics ensures time-sensitive delivery of goods, critical

for sectors like pharmaceuticals, agriculture, and e-commerce.

- **Efficient cold chains reduce post-harvest losses (~₹92,000 crore annually)**, enhancing food security.
- **Supporting Manufacturing and Exports:** With the **PLI schemes** and **'Make in India'**, **manufacturing-led growth requires robust** end-to-end logistics.
 - For instance, **India's merchandise exports reached \$447.46 billion in 2022-23**, heavily reliant on efficient port and multimodal connectivity.
- **Driving Employment and Formalisation:** The sector employs **22 million people**, expected to add **10 million more jobs by 2027**.
 - Formalisation through policies like GST and National Logistics Policy enhances productivity and workforce skills.
- **Enabling Regional and Global Connectivity:** Initiatives like **India-Middle East-Europe Corridor (IMEC)** and Sagarmala improve trade linkages and maritime efficiency.

Transformational Growth Trends in India's Logistics Sector:

- **Robust Market Expansion:** The sector grew at **11% CAGR (2019-24)** and is projected to reach **₹35.3 trillion by 2029**.
- **Policy Support and Government Interventions:** **National Logistics Policy (NLP)** aims to reduce logistics cost to 8% of GDP by 2030.
 - **PM Gati Shakti Master Plan** integrates 1400+ data layers to improve multimodal infrastructure planning.
- **Infrastructure and Modal Shift:** Dedicated Freight Corridors (DFCs), **35 multimodal parks under Bharatmala**, and improved port connectivity are reshaping the modal mix.
 - **Modal shift from roads to rail, coastal, and inland waterways** is critical for cost efficiency.
- **Digital Transformation:** Platforms like **ULIP, e-Sanchit**, and tools like **FASTag, IoT, and AI-based route optimization** are streamlining logistics.
 - India improved 6 places to **38th in the World Bank's Logistics Performance Index (2023)**.
- **Rise of E-commerce and Last-Mile Logistics:** E-commerce projected to reach **\$200 billion by 2026**, with logistics companies like Delhivery driving last-mile efficiency.
 - Tech-enabled micro-warehousing and reverse logistics are expanding in Tier-II/III cities.

Persisting Challenges in India's Logistics Sector:

Challenge	Implications
High Logistics Cost	Reduces competitiveness of Indian exports and MSMEs
Modal Imbalance	Over-reliance on road (66%) inflates cost and emissions
Fragmented and Unorganised Market	Over 90% remains informal , limiting tech adoption
Sustainability Issues	Diesel-dependency and only 6,000 EV charging stations for commercial logistics
Cybersecurity Risks	Increasing digitisation exposes SMEs to data breaches and cyberattacks

Transformational Reforms to Enhance Efficiency:

- **Integrated Infrastructure Development:** Fast-track DFCs, multimodal logistics parks, and last-mile rural connectivity.
 - Emulate models like **Mumbai Trans Harbour Link**, improving access to Jawaharlal Nehru Port.
- **Regulatory Simplification and Single-Window Clearance:** Expand **e-Sanchit** to all logistics-related processes.

- Harmonise state regulations and enable **faceless customs clearance**.
- **Digitisation and Technology Incentives:** Promote tech adoption in MSMEs through subsidies and access to **ULIP APIs**.
 - Develop India-specific logistics innovations in partnership with startups.
- **Skill Development and Certification:** Partner with e-commerce giants for last-mile skilling programs.
 - Establish logistics-specific ITIs and certification standards.
- **Green Logistics Push:** Launch **Green Logistics Certification Program**. Promote EV adoption, coastal shipping, and low-carbon corridors (e.g., Sagar Sethu).
- **Multimodal Integration and Freight Rationalisation:** Implement multimodal hubs at economic clusters.
 - Offer incentives to shift cargo from roads to **railways and inland waterways**.

Conclusion:

The **National Logistics Policy (NLP)** marks a transformative shift in India's approach to logistics by aiming to reduce logistics costs to **8% of GDP**, enhance **multimodal integration**, and improve **global competitiveness**. With effective implementation, it can become a key enabler of **India's transition from a developing to a developed economy**, driving economic **efficiency, export growth, and inclusive development**.

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