



Transforming the future of Indian logistics sector



By **EY India**
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Advanced technology, infrastructure development and sustainable logistics are key to strengthen the sector.

In brief

- All stakeholders must work in tandem and complement each other to fully unlock the growth of the logistics industry.
- Organizations must focus on digital technology and its effective usage if they want to stay competitive.

Logistics is of critical importance for both businesses and the economy. A robust and efficient logistics sector of a country indicates an efficient forward and reverse of goods and services, which ultimately translates to a fast-paced growth in economy. According to a recent EY report, **“India@100: realizing the potential of a US\$ 26t economy”**, India is projected to grow to US\$26t by FY48. India’s transportation and logistics sector can act as the backbone to support this fast-paced growth, which the country is poised to achieve in the next 25 years. India’s freight movement is heavily skewed toward road transportation, which moves 66% of cargo (in ton-km). This is followed by rail (31%), shipping (3%) and air (1%). The sector continues to witness unevenness in freight transportation by mode and is working toward solving this impediment.

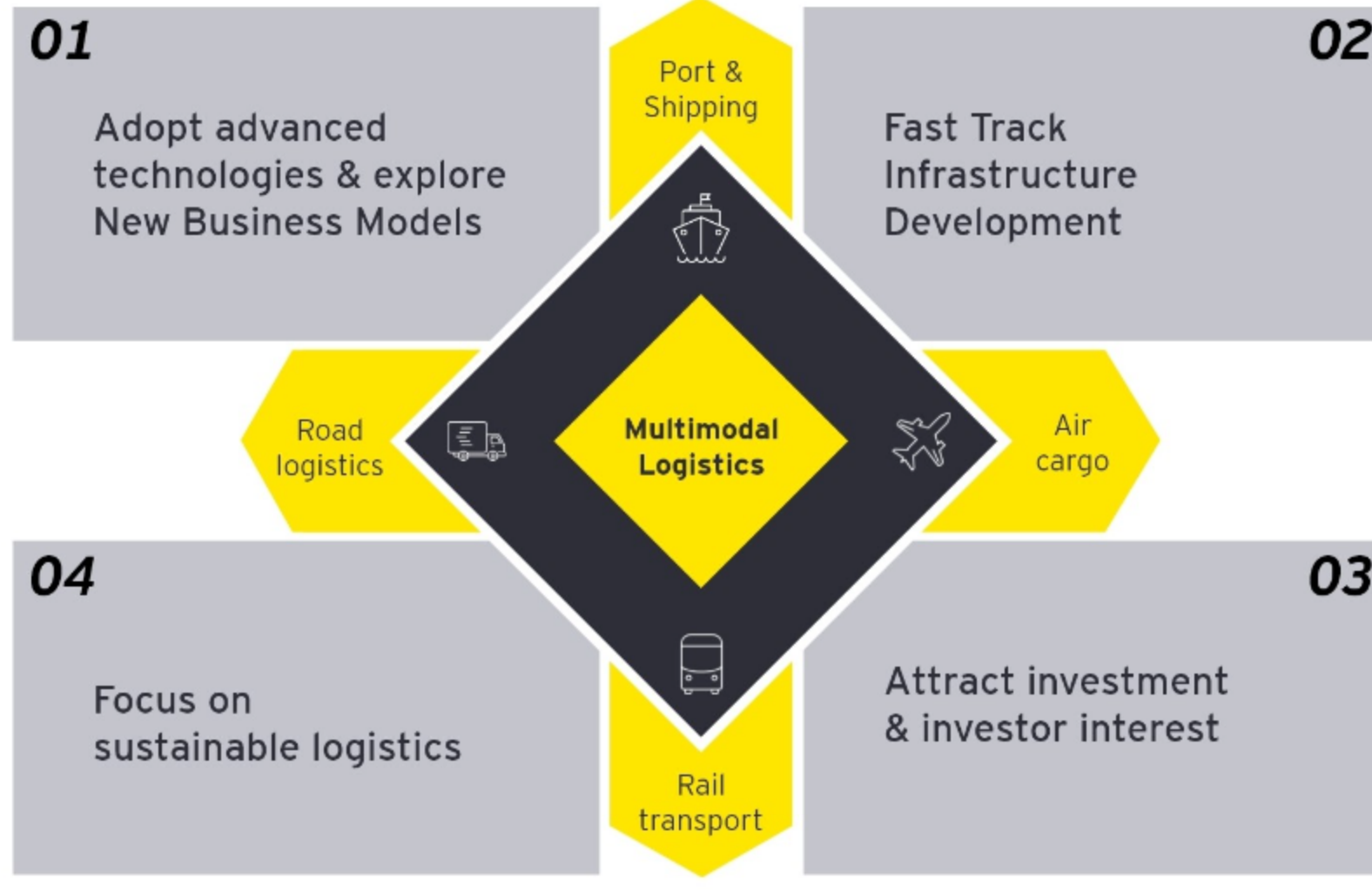
The ports, shipping and logistics industry in India is shifting to align with the evolving business landscape. Improved infrastructure, increased emphasis on **digitalization**, and a heightened focus on sustainable logistics are driving this shift as the country sets its eyes on unleashing the potential of becoming a US\$26 trillion economy by FY48 (with US\$6 trillion by FY30).

This is, however, possible only if the multitude of issues including policy and **infrastructure**, are resolved. In the latest thought leadership report, **“Envisioning the future of Indian logistics@2047”**, EY and the Bombay Chamber of Commerce & Industry (BCCI) propose the following approach to address the challenges.

The main obstacles that the ports, shipping and logistics industry is facing can be broadly categorized as follows:

Policy	+
Business	+
Digital	+
Infrastructure	+

Proposed four-pronged strategy to empower the logistics sector



Adopting advanced technologies and exploring new business models

The recent disruptions in the **supply chain** and growing concerns about sustainability have led to an increased global-level adoption of technology-enabled solutions such as blockchain, big data, cloud computing, and digital twins. While the level of adoption is relatively low in India, the government has launched several digital solutions, such as ICEGATE and E-Logs, which have reduced inefficiencies, improved transparency, and made goods movement faster.

Fast-tracking infrastructure development

The Government of India (GoI) has launched several programs such as GatiShakti, Bharatmala and Sagarmala which are aimed at building new infrastructure, such as roads, railways, and ports, among others. To complement these initiatives, measures are being taken to attract private capital and implement administrative reforms to streamline the planning and execution of infrastructure investments.

Attracting investments and investor interest

Traditionally, the Indian government has been the chief proponent and financier of infrastructure development. However, it is increasingly adopting new policies to attract private and foreign investment as levers to fast-track infrastructure development. The National Infrastructure Pipeline (NIP) is one such lever that is expected to raise INR 50 lakh crore (approximately US\$650 billion) worth of investment. Although 100% FDI is allowed in most transport infrastructure development initiatives, considerable effort will be needed to bring about the desired impact.

Focus on sustainable logistics

India’s shipping and logistics sector is aligning with domestic and global regulations on sustainable practices as well. The sector is taking steps to conform with leading global benchmarks such as Energy Efficiency Existing Ship Index, Carbon Intensity Rating, and Emissions Trading System.

*This article is written by **Neville M Dumasia**, National Leader - Advanced Manufacturing, Mobility and Infrastructure, EY India.*

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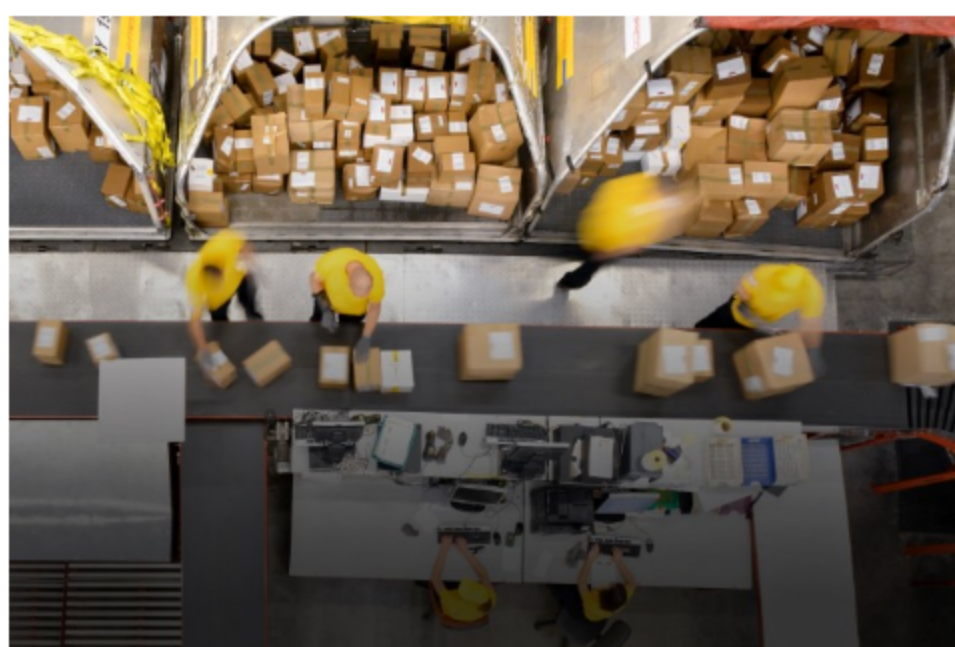
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Summary

To remain competitive, organizations must embrace digital technologies and innovate. Improved project planning and implementation efficiency will reduce cost and time overruns. Infrastructure projects should be de-risked to minimize losses resulting from delays in land acquisition and environmental clearance.

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