

National Logistics Policy [UPSC Notes]

National Logistics Policy is a significant step in creating an efficient and cost-effective logistics system that is indispensable for the transition of India from a developing economy to a developed economy.

Such a logistics system will not only result in a vibrant local economy but will also make Indian goods competitive in the extremely price-sensitive international market.

Logistics sector development is a very important topic in the economy section of the UPSC exam. It is a basic static portion of the syllabus but it is highly dynamic in the sense that it is featured in the daily news in some form or the other. Hence, it is essential for the [IAS exam](#).

In this article, you can read all about the new National Logistics Policy.

National Logistics Policy

- The National Logistics Policy (NLP) was announced by the Finance Minister in the [2022-23 Union Budget](#). It was formulated by the Union Ministry of Commerce and Industry.
- It is a comprehensive effort to address high logistics costs with an interdisciplinary framework for the development of the country's \$150-billion logistics sector.
- The new policy is driven by the vision "To develop a technologically enabled, integrated, cost-efficient, resilient, sustainable and trusted logistics ecosystem in the country for accelerated and inclusive growth."
- The policy has four features that will be implemented through the **Comprehensive Logistics Action Plan (CLAP)**:
 - **Integration of Digital System (IDS)**: For the digital integration of different systems of seven various departments (like road transport, railways, aviation, commerce ministries and foreign trade).
 - **Unified Logistics Interface Platform (ULIP)**: This ensures shorter and smoother cargo movement and enables the exchange of information confidentially on a real-time basis. This National Industrial Corridor Development Corporation (NICDC) Logistics Data Bank Project has been leveraged.
 - **Ease of Logistics (ELOG)**: This will enable and ensure the ease of logistics business through transparency and accessibility.
 - **System Improvement Group (SIG)**: This will monitor all logistics-related projects regularly.
- The **e-handbook** on the policy gives insight into the standardisation of the warehousing sector.
- CLAP comprises integrated digital logistics systems, standardisation of physical assets, benchmarking service standards, human resource development, capacity building, development of logistics parks, etc.

- For the expansion of the sector, the government will also provide managerial training in logistics and supply chain. [Multi-modal logistics parks \(MMLPs\)](#) can be established in key markets to enhance first- and last-mile connectivity.



Image Source: moneyControl

Logistics Sector in India

India's logistics sector is highly defragmented and the logistics cost in India is high as compared to other developed countries which is estimated to be about 14% of its GDP.

- The regulatory environment is complex due to multiple regulations governed by various stakeholders. For example, there are over 20 government agencies; 37 export promotion councils; 500 certifications; 200 shipping agencies; 36 logistics services; 129 Inland Container Depots and 168 Container Freight Stations.

- As per the estimates, the worth of the Indian logistics market will be around \$ 215 Billion in the next two years compared to \$ 160 Bn in 2022.
- Investment Information and Credit Rating Agency of India Limited (ICRA) estimates that the sector will develop at a Compound Annual Growth Rate (CAGR) of 10.5 percent through 2025 after growing at a CAGR of 7.8 per cent over the past five years.
- This sector employs more than 22 million people in India, which through skill development is expected to grow at the rate of 5 per cent in 5 years.
- There is a low rate of technological adoption across different stakeholders. The logistics cost is increased by the high indirect expenses brought on by erratic supply chains and subpar first and last-mile connectivity.

National Logistics Policy Significance

As the world's fifth largest economy and emerging manufacturing hub, India needs a policy that helps to improve India's trade competitiveness, create more jobs, improve India's performance in global rankings and pave the way for India to become a logistics hub.

- Reduced logistics cost improves the competitiveness of Indian goods both in domestic as well as export markets by encouraging value addition and enterprise.
- As logistics develop, manufacturing, production, automobile, and other industries like warehousing and infrastructure development will also develop. This will spur the growth of commercial real estate and industrial parks.
- The new policy will clarify the roles of the Union Government, State Governments and key regulators with respect to logistics sector development.
 - This will improve coordination among the states in improving inter-state transportation of goods and facilitate better storage and warehousing facilities.
- The policy provides for the government creating a single point of reference for all logistics and trade facilitation matters, reducing costs for the logistics sector.
- Streamlining the logistics sector will facilitate a 10% decrease in indirect logistics costs leading to a growth of 5 to 8% in exports.
- The policy will create a single window e-logistics market and focus on the generation of employment and skills, and make MSMEs competitive.
- Integrated digital systems will facilitate a unified regulatory environment and policy across the country and the administration.

Supporting policies to make NLP more robust:

- The [PM GatiShakti](#) launched in October 2021 was a pioneering step in this direction. PM GatiShakti will get further boost and complementarity with the launch of the National Logistics Policy.

- The introduction of GST has brought efficiency to the logistics and transportation sector. It has reduced the turnaround time of trucks by over 20%.
- Faceless assessment in customs and e-way bills and FASTag are bringing efficiency to the logistics sector.
- The [Sagarmala project](#) that connects ports and dedicated freight corridors has improved logistics connectivity and systematic infrastructure development work.
- Village Storage Scheme through women's self-help groups shall provide backward linkages for seeds thereby reducing logistics costs. Financial assistance under MUDRA loans and NABARD shall be provided for this purpose.
- Other initiatives to improve physical infrastructure such as Bharatmala Yojana, dedicated freight corridors, waterways development and multi-modal transport hubs among others.

Conclusion: The National Logistics Policy will facilitate a unified policy and regulatory environment for end-to-end logistics services and an overarching institutional framework that will govern the logistics sector and enhance its competitiveness. Both State and central governments would prepare a master plan for logistics that will cover projects planned by different ministries to ensure multi-modality, optimal modal mix and addressing first and last mile connectivity.

UPSC Questions related to National Logistics Policy

What is logistics in the supply chain?

Logistics is an aspect of the supply chain that stores or delivers finished goods or services to the customer, whether that's a manufacturer, distributor or consumer. The goal of logistics is to get goods and services to the customer on time and at a competitive price.

What is international logistics?

International logistics is the process of planning and managing the flow of goods and products in a company's supply chain from acquisition to customer purchase, where part of the process involves crossing at least one international border.

When was Infrastructure Status granted to the Logistics Sector?

The Logistics Sector was granted Infrastructure status in 2017. This makes it easier for companies operating within these segments to raise long-term credit from banks and other financial institutions at lower rates. It also helps attract foreign investments to the sector.

What is Gati Shakti Digital Platform?

- It is a digital platform that will bring 16 Ministries including Railways and Roadways together for integrated planning and coordinated implementation of infrastructure connectivity projects on a real-time basis.
 - It will leverage technology extensively including spatial planning tools with ISRO imagery developed by BiSAG-N (Bhaskaracharya National Institute for Space Applications and Geoinformatics).
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