

Confidence in India's logistics cost

The logistics cost in India for decades was treated as a dysfunctional economic reality, estimated at a staggering 13-14 per cent of gross domestic product (GDP), far above that of its global peers. This aspect was often cited as the "hidden tax", which made Indian manufacturing uncompetitive. On September 20, that belief was quietly but decisively shattered. The government, after a detailed nationwide study by the National Council of Applied Economic Research (NCAER) and Department for Promotion of Industry and Internal Trade (DPIIT), released the first credible, data-driven estimate of logistics cost at 7.97 per cent of GDP for 2023-24 (FY24).

This revelation does more than correct a number. It reframes how we think about competitiveness. India's logistics cost is now firmly within the same band as advanced economies' — the United States' at 8.8 per cent, Germany's at 8 per cent, and Australia's at 8.6 per cent.

The 13-14 per cent figure, recycled endlessly in reports and speeches, lacked methodological grounding. It came from adopting and adapting broad international models, which did not have India-specificity. Policymakers, industry, and the media repeated it ad nauseam, shaping the perception that logistics was India's Achilles' heel.

Using a hybrid approach combining macro datasets (National Accounts Statistics, Supply & Use Tables, the Reserve Bank of India's Balance of Payments et al) with more than 3,500 stakeholder surveys of transporters, warehouses, and service users, the report — "Assessment of Logistics Cost in India" — provides the most robust estimate to date. The number is not only surprisingly low but also more credible and transparent.

What the numbers say is that India's logistics cost is estimated at ₹24.01 trillion at 2023-24 prices; accounting for 9.09 per cent of non-services output. Road transport dominates the sector, costing ₹3.78 per tonne/km, significantly higher than rail (₹1.96) and waterways (₹2.30), while air freight remains an outlier

at ₹72 per tonne/km. Smaller firms face higher burdens, as businesses with a turnover below ₹5 crore spend nearly 17 per cent of their turnover on logistics, compared to just 7.6 per cent for large firms.

Warehousing adds further pressure, averaging ₹30 per square feet per month but rising to ₹60 for storage that is cold and hazardous. Export-import logistics also remains constrained, with persistent bottlenecks at ports, where terminal-handling charges and the documentation cost constitute a substantial portion of the expenses. Thus, while India's logistics system is not as inefficient as once believed, structural challenges still remain.

Two myths stand debunked. First, India's logistics cost is not 13-14 per cent of GDP. Second, logistics is not the millstone it was made out to be. Advanced economies operate within the 7-8 per cent range; India is right there.

Reducing fuel intensity in road transport, which constitutes 55 per cent of India's diesel consumption and 42 per cent of the logistics cost, is critical. Road freight dominates, with a 71 per cent modal share, far above the global benchmark of 8-10 per cent, against rail's mere 27 per cent. The

National Logistics Policy targets reducing this to below 10 per cent by 2030, with rail's freight share projected to increase from 27 per cent to 45 per cent.

Expanding multimodal networks through initiatives like 35 approved multimodal logistics parks (MMLPs), alongside the 41 logistics parks already facilitating 320,000 monthly cargo transfers, and strengthening first-last-mile connectivity, will reduce road dependence. The PM Gati Shakti National Master Plan has identified 156 critical infrastructure gaps and enabled planning 8,891 km roads and 27,000 km railway lines. These demands call for integrated multimodal planning supported by robust institutional frameworks, such as a national apex body for transport governance, envisioned by the Prime Minister as the Gati Shakti Transport Planning and Research Organisation (GTPRO), alongside strengthened state-

level urban and regional transport governance.

Addressing warehousing gaps, particularly in the cold-chain segment, is another pressing need. Small and medium enterprises (SMEs) also require targeted support through shared logistics infrastructure, which can ease their cost burden. Finally, export-import competitiveness depends on fixing persistent administrative bottlenecks at ports and airports, especially by streamlining terminal handling and customs documentation. The corruption allegations at the Chennai Port, viral on social media, heighten the existing challenges.

India is taking significant steps toward transforming its logistics landscape through initiatives such as PM Gati Shakti, the dedicated freight corridors, Sagarmala, Bharatmala, the Unified Logistics Interface Platform (ULIP), and the National Logistics Policy, all of which emphasise integration, digitisation, and multi-modal efficiency. Building on this momentum, this current report proposes a sequenced pathway for reform. The goal is to bring the logistics cost closer to 7 per cent of GDP by 2030, a benchmark comparable with the world's best.

This finding restores confidence. For investors, it signals that India's "logistics penalty" is no longer a deterrent. For policymakers, it provides a reliable baseline for reform. For industry, it reframes logistics from a constraint to an arena of opportunity. Most importantly, it underscores that India's slew of co-ordinated reforms is working.

India's logistics story is no longer about a crippling disadvantage. It is about an economy in transition — aligning with global peers, reducing inefficiencies, and building the backbone for a \$5 trillion economy. The debate must shift from exaggerated handicaps to ambitious possibilities. The government's new statistic "7.97 per cent of GDP" is not just a number. It is a turning point in India's economic narrative, a proof that when reforms meet credible data, myths fall, and confidence rises.

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