

# Logistics Network In India: Challenges And Scope

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**Abstract:** In today's shipping industry logistics is one of the key word increasingly attractive and essential topic among academicians and consultants, because it leads to reduced working cost improved distribution performance and improved customer satisfaction levels. The universal logistics business is projected to the worth of 11.9 billion dollars through large service providers who are headquartered in regions like Europe, the major market is United States, which is about one-third of the Universal market. The international logistics industry is categorized by cost (high) of operations, small margin, unavailability of talent, infrastructure blockages, demand from customers for financing in updated expertise and providing single stop of result to all their requirements. The business is also continually undergoing & facing association through procurements, merges and unions. This paper provides a viewpoint on these problems, outline few challenges through secondary data and pronounce some exciting initiatives that some needs to complete through brilliance in handling logistics.

**Keywords:** Universal situation, infrastructure, tax structure, storage, LSPs & 3PL.

## 1. INTRODUCTION

Today academicians and practitioners are giving more attention to Logistics Management since the research has to be done to reduce the working costs, better distribution show and improved client's satisfaction levels. The effort was under process for the last two decades. This effort making logistics organizations more economical in handling costs. They become more competitive in quality, distribution and flexibility. The globalization need made the logistics importance. Many multinational companies are investing money in sourcing, manufacturing and dispensing universal scale. Their supply chain network is very complex. Third party Logistics (3PL) providers are also known as Logistics Service Providers (LSP) helps the logistic companies to enable them to get customized and efficient logistical support which focuses on core activities of the organization. In today's universal scenario many international logistics service providers offers solution to their supply chain network based on international social, economic and political environments. This LSP are not only providing logistics and transportation service, but also provides additional services like packing, labeling, delivery post-sales support service, custom clearance, freight forwarding, import/export management, inventory management, assembly and installation which leads the companies to concentrate on core business by outsourcing the logistics activities. . Effective management of supply chain is a very essential feature in any business as it is directly related with the cost of the product mass-produced and also business plan and the prominence of logistics (Rajendra Prasad, R. & Srinivasan R 2019). Firms can enhance their market competitiveness by reducing their logistics costs, thus lowering the total costs of goods and services. Any impetus to improve the competitiveness of the firms at the national platform would enable the nation to register a dynamic economic performance in a global environment (Rengamani, J., 2018).

## 2. UNIVERSAL SCENARIO AN OVERVIEW:

Global economic is solely depends on logistics, because the transportation of goods from the origin to the consumption place which yields contribution to the economic growth of both countries directly or in-directly. Logistic industry involves globally in activities like assemble material, handling of material, warehousing, packing, shipping, security, supply chain management, financial management, customer care and procurement.

The Universal logistics mostly negotiate with complex cargo and freight related activity sectors like road/rail/air transport, shipping, courier, and warehouse. According to the Research and Markets (R&M) global market of logistics is worth of 10.32 billion US dollars in 2017. It is expected to grow 12.68 billion US dollars by 2023 with a Compound annual growth rate 3.49%. The prompt proliferation of business agreement between many nations is the ultimatum driver of the universal logistics management. It has grown according to the need of importers and exporters. This universal trade activities improving the growth of the economy by advancement of information, universal structure of logistics and transportation. At the same time the main restrictions are high inventory cost, low warehousing space and high pollution level. Water transport covers almost 70% of the world transportation. In 2017 water transport transaction was around 58 trillion. It was 5% more than 2016. In subsequent years the logistics segment will grow further due to the Asian economy, which is away from western economy to evolving market of India, China and other Asian economies, the Middle East and Latin America. At the same time the European ns US logistic market remain strong.

## 3. UNIVERSAL LOGISTICS MARKET A MAJOR SEGMENT:

The Universal air transportation growth experienced growth rate till 2012, after that there was a slight decline. The passenger numbers in 1998 is 1.467 billion which increase in 2017 as 3.979 billion. As per The International Air Transport Association (IATA) the profit increases from 34.4 billion in 2017 to 38.4 billion in 2018. The estimated growth compound annual growth is 3.5%. In 2018 the expected operating margin is 8.1% which is less than 2017 (8.3%). The net margin is 4.7% little bit higher than 2017(4.6%). The revenue increased by 9.4% from 745 billion US dollar in 2017. The total passenger number is

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also increased but growth percentage slower 6 % in 2018 compared to 7.5% in 2017. At the same time cargo growth is 4.5% compared to 9.3% in 2017. Due to recession period in world economy, the same reflected air transportation too. In an average consumption volume growth is 4%. Global trade activity, transport infrastructure and retail sale made road transportation more important. The value of road transportation of universal is 2.4 trillion in 2017. It was expected to grow at least 4% to 5% every year. Since the universal population keeps growing especially in developing countries, economic and efficient transportation is more essential. This requirement is filled by shipping industry. It ensures the benefit of trade and commerce evenly distributed. The cargo freight is a major way of universal trading. The countries which are having more number of port terminals are key players in universal economic growth. Investment in this sector keep increasing to meet the global demand in oil and liquefied gas. In general 4 Trillion US dollar business happening universally. Major trends like blockchain technology, Elastic logistics, cyber and electronic warfare, merger and acquisitions ensures relationship among shipping companies, smart ships, Advanced materials, energy management and marine biotechnology strengthen the shipping industry. . Strength of the logistic sector is likely to be one of the key determinants of the pace of the future growth of the economy. The seaborne trading was about 12 trillion US dollars in 2017. The trade of cargo is about 60% in universal logistics.

#### 4. CURRENT SCENARIO IN INDIA:

Today in our country, the emerging on-line business made the logistics more important. This on-line business giants like flip-cart, amazon, ansio, big-basket and india-mart etc ., are sharing large part of everyday business. Whatever be the product or branded product it is available online. To deliver the product transportation required. But the logistics management is challenge in India. So the logistics sector getting more priority. One important reasons is high growth of transportation sector and population spreading area. Due to the growth of all facets related logistics like warehousing, express freight delivery, forwarding, container facility, transporting facility the economic growth of India keep increasing. In household consumption expenditure is 1,528,691 million US dollar in India which is seventh largest consumer market in the world. It is expected to reach 215 billion US dollar in 2020 after implementation of Goods and Service Tax (GST). The logistics industry provided employment to more than 22.1 million of public with the average growth rate of 7.8% in last five years. The subsectors growing at even 30 to 40% annually. The above reasons attracts the world's eye towards Indian logistics sector. So to attract foreign investment government implemented policies recently to encourage logistics sector. Despite the growth several complexities holds the potential of the market like significant inadequacies in transportation, poor infrastructure in storage area, difficult tax structure, slow in technology implementation and inadequate skills of logistics experts.

#### 5. INDIAN LOGISTICS SECTOR'S CHALLENGES:

Transportation: Road transportation is prominent for freight cargo. Almost 1.108 billion tonnes of cargo movement

happened in 2017. The road length 5,603,293 km in India as per 2017 report of world fact book. It is second largest in the world. It is witnessed that even though road transport is less efficient than rail, due to over saturate of rail network people preferred road transportation. Another challenge in road transportation is narrow roads with high population. Rail transport network travels through breadth and length of India. It covers more than 7000 stations with the length of 65000 km and 115000 km of route length. In that 34% of length was electrified. Rail mode transportation's challenge is long transit time and unscheduled movement of goods train. Water way Transport is a major freight movement. More than 96% of foreign trade takes place in India. In that 70% of port operations happened in Mumbai. High turnaround time is a major problem in Indian port. It is because of congestion on berths, slow clearance of cargo in berths. Inadequate depth is another problem of Indian ports. Clearance of dredging tenders generally delayed in ports. That lead to with existing dates most of the ports are incapable of attracting very large ships. In India coastal shipping is vulnerable due to insufficient port and infrastructure of land side for freight movement. Challenges due to Tax : In India complicated tax structure pose many challenges on logistics industry management. State tax differs in each state and centre tax is different in India, which is more complex resulted in multiple payment. The Government is trying to solve this problem by GST.

#### 6. WAREHOUSING CHALLENGES:

In India warehousing for small margin product is very rare phenomena. Because of population small margin products having large consumer base. So it is very difficult to construct big warehouse for those products is also another constraint.

##### Skill and Technology Challenges

The logistics segment is also in a weak position by low rates of technology implementation and meagre skills levels. In Technology front logistics industry seems to be giving thoughtful attention with use of Radio Frequency Identification (RFID), vehicle tracing technologies, warehouse controlling system etc. Acceptance is not an issue anymore, the collaboration between Information Technology and logistics obligation needs to be fixed. Computerization in processes is still only in its midway. Additional improvement is based on a certain level of calibration which made tougher by the fragmentation in the logistics industry. This disadvantage needs to be addressed at the earliest. Impressions of Challenges Met: The numerous challenges met by the logistic industry leads to high logistics expenses experienced by the Indian economy. Cost of labour is one of the significant contributors to logistics expenses in technologically advanced countries, but it is cheaper in India. Transportation expenditures are high due to uneven quality of roads, city traffic and governing delays. India spends 14% of the GDP towards logistics industry. Major origins of logistics expenses normally comprises warehousing, transportation, inventory, management and other important services such as wrapping or packaging. Almost 31% of logistics expenses goes to others category like various type of supporting process. It leads to more expenses under various heads. The logistics cost in India almost 4 to 5

times higher than developed countries. But the quality is not up to mark. At the same time the trend of this type of expenditure is keep raising due to fuel price. The increase of logistics expenses not only because of fuel but also the increase of cost of labour near the port. A good inventory software and supply chain will solve all this problems.

## CONCLUSION

Indian logistics industry's future depends mainly in value proposals for the end user. This problem will be solved by implementation of complex but well-engineered supply-chain network. The solutions are costly but commendable. This would effect a decrease in budget down the line, which will happen only when most of the shortages stated above are resolved. By expanding logistics companies operations can influence further economics of measure. The automobile industry is the key for the success of Logistics network. The industries should collaborate with 3PL's to encourage their business in India to reach its height. This kind of drive propel the Indian logistics sector to stretch to greater heights.

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