A Contemporary on Indian Government Initiatives and Challenges of Warehouse Industry


Abstract: Over the last six decades, Indian Logistics Sector has evolved a tremendous growth towards Indian economy ranges from the distribution management to integrated logistics management to supply chain management to e-logistics. According to the Economic Survey 2018 report stated that the Indian logistics Sector is likely to touch USD 215 billion in 2020. According to Logistics Performance Index 2018, India slipped at 44th position from 35th position in 2016 out of 154 countries. This is due to the implementation of GST on July 1, 2017. Since many sectors in India are unorganized and fragmented sector. The impact of GST has been affected Indian economy during the initial period. But in coming years, there will be a tremendous growth and recently, the Government of India during union budget 2019 is now planned and focuses on Srilion economy by 2024. Warehouse Sector is an integral part of the logistics sector and Indian Warehouse Market was ranked as fifth largest market in the Global Logistics Market. In this paper, we try to highlight the current scenario of warehouse market sector and also we try to deliver the current status of investment and infrastructure facilities in warehouse market in India. From a practical point of view, this paper points out the major challenges faced in warehouse sector market in India during recent years.

Keywords: Logistics, Warehouse, SAMPADA, FTWZ and Multi-Modal Logistics Park

I. INTRODUCTION:

Warehousing is often defined as the storage of goods prior to their use. According to Heskett, Ivie and Glaskowsky (1964), warehouse function is defined as “To the extent that inventory control is the heart of the logistics function, but warehouse is the actual centre of the logistics system for any firm” Normally, Logistics sector includes transportation, material handling and packaging, warehousing and enabling IT infrastructure which integrates all functions for the flow of goods between the point of origin and point of destination. Warehouse operation is the integral part of the logistics sector for enabling the storing of goods, demand in manufacturing sector and need of storage of raw materials, finished goods and non-finished goods from the manufacturing industries such as textiles, defense, food processing, automobiles and pharmaceuticals. In many manufacturing industries, warehousing sector has evolved significantly due to get a maximum benefit from the production to storage of goods. This warehouse sector is also play a vital role in the supply chain management. Since, warehouse process is carried out not only storage of goods in storekeeping but also minimizing the wastages and logistics costs.

According to the report from Ministry of Road Transport and Highways, Government of India has spends logistics cost approximately 14% of the GDP when compared to other developed countries. This higher cost is due to the inefficient of intermodal and multimodal transportation system in India when compared to other developed countries. Warehousing sector in India also accounts approximately 25% of the logistics cost. Figure 1 shows the logistics cost as a % of GDP in different countries.

The logistics sector in India is mostly dominated by the transportation sector which is accounted for nearly 85%. Remaining 15% is done by the storage department i.e., warehousing sector. Figure 2 shows the logistics industry in India: Transportation Vs Storage.
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The warehousing industry in India is worth Rs. 1,251 billion in 2018 and is growing at a 10-12% of every year. This last four years, India saw the tremendous growth in Warehousing industry is due to the implementation of GST, Digital India – growth of e-commerce and digitization, Skill India programme, growing domestic consumption, 100% FDI and increasing international trade. Figure 3 shows the growth of warehousing sector in India. From the figure, Indian warehousing sector is expected to reach Rs. 1,523 Billion in 2020.

II OBJECTIVE:

In this study, we are tried to highlight the following points. They are:
1. To know about the initiatives taken by the Government of India to nurture the growth of warehouse sector in India.
2. To know about the development of infrastructure facilities in warehousing sector in India.
3. To study about the major challenges faced in the warehousing sector in India.

III METHODOLOGY:

This study is based on secondary sources of data and information. Different books, newspapers, magazines, journals, NITI AAYOG, IBEF, PIB, CARE ratings and websites have been consulted and identified in order to make the study in an effective manner. The study attempts to scrutinize the importance of warehouse sector in India.

IV INITIATIVES TAKEN BY THE GOVERNMENT OF INDIA:

The warehousing sector in India is highly unorganized and fragmented approximately 90% of the total market. This is due to most of the warehouse sector in India is having less than 10,000 sq.ft with result in high inventory holding costs, higher storage and improper material handling leads to damage of the product. Figure 4 shows the warehousing industry: organized Vs unorganized.

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Initiatives taken by Government of India</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Make in India</td>
<td>1. The main focus of this scheme is strengthening the potential of the manufacturing sector which helps in creating jobs in all fields.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. This scheme also focused on setup industrial corridors to promote manufacturing clusters by connecting them via intermodal and multimodal transportation. There are five industrial corridors are planned by the Government of India. They are:</td>
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<tr>
<td></td>
<td></td>
<td>a. Chennai – Bangalore Industrial Corridor</td>
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<tr>
<td></td>
<td></td>
<td>b. Bangalore – Mangalore Industrial Corridor</td>
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<tr>
<td></td>
<td></td>
<td>c. Delhi – Mumbai Industrial Corridor</td>
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<tr>
<td></td>
<td></td>
<td>d. Amritsar – Kolkata Industrial Corridor</td>
</tr>
<tr>
<td></td>
<td></td>
<td>e. Vizag – Chennai Industrial Corridor</td>
</tr>
</tbody>
</table>

Source: Industry, IBEF
Source: Market Research, Report on Booming Warehouse Sector in India

Figure 2 Logistics Industry in India: Transportation Vs Storage

Figure 3 Indian Warehouse Industry Growth

Figure 4 Warehousing Industry: Organized Vs Unorganized Sector
2. GST

1. The major tax reform introduced on July 1, 2017 by the Government of India. During the introduction phase, warehousing industry faced a problem due to most of the warehouse industries are unorganized and fragmented.
2. The simplified GST will help the logistics cost reduced by 2.5% and thereby reducing warehousing cost and create a platform for higher economic growth.

3. Multi-Modal Logistics Park

1. Ministry of Road Transport and Highways, Government of India has planned 35 Multi-modal logistics park under Logistics Efficiency Enhancement Program (LEEP).
2. It will help the logistics sector by lowering the logistics cost, traffic congestion, cutting warehouse cost and reduce carbon foot prints.

4. FDI

1. Government of India allows 100% FDI towards warehouse sector in India.
2. It will help the private sector provides a higher investment and creates a lot of opportunity for youngsters.

5. Pradhan Mantri Kisan SAMPADA Yojana

1. SAMPADA means Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters. Government of India allocates Rs. 6,000 crore for the period of 2016-2020 for this scheme.
2. This scheme will give a big step towards the ambitious project of doubling farmer’s income by 2022. This will be done by creating modern infrastructure with efficient supply chain management from farm produce to the retail market.

V DEVELOPMENT OF INFRASTRUCTURE FACILITIES IN WAREHOUSE SECTOR IN INDIA:

The logistics sector has been granted infrastructure status as cited by the Ministry of Finance, Shri Arun Jaitley on 2017. The Logistics infrastructure will allocate the investment as shown in table 5.1.

Table II Logistics Infrastructure

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Scheme</th>
<th>Minimum Investment</th>
<th>Minimum Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Multi Modal Logistics Park</td>
<td>Rs. 50 crore</td>
<td>10 Acre</td>
</tr>
<tr>
<td>2.</td>
<td>Cold Chain Facility</td>
<td>Rs. 15 crore</td>
<td>20,000 sq.ft.</td>
</tr>
<tr>
<td>3.</td>
<td>Warehouse Facility</td>
<td>Rs. 25 crore</td>
<td>1 lakh sq.ft.</td>
</tr>
<tr>
<td>4.</td>
<td>Free Trade Warehouse Zone</td>
<td>Rs. 100 crores</td>
<td>5 lakh sq.ft.</td>
</tr>
</tbody>
</table>

Free Trade Warehouse Zones (FTWZ) under the Ministry of Commerce and Industry comes under the category of special economic zones with focus on trading and warehouse. The objective of FTWZ is to create an infrastructure to facilitate the import and export goods and services with a freedom to carry out the transaction with free currency. According to JLL India report, there will be an investment of up to Rs. 50,000 crore in creation of warehousing facilities in all states between 2018 and 2020. Cold storage facilities under the Ministry of Food Processing, Government of India came up an idea by implementing cold storage facilities for the perishable vegetables and fruits. Recent report stated that nearly 95% of cold storage facility is come from private sector and most of them are in small area. Remaining 5% of cold storage facility is owned by co-operatives and public sector. In India, there are over 7,700 cold storage facilities with an approximate capacity of about 36 million tonne.

According to the IBEF report, nearly 60% of the modern warehousing facility is concentrated on top eight cities in India viz., Chennai, Mumbai, Bangalore, Ahmadabad, NCR, Pune, Hyderabad and Kolkata.

Central Warehousing Corporation in India is operating of about 419 warehouse facility across India with a storage capacity of 10.1 Million tonnes.

VI CHALLENGES FACED BY WAREHOUSE INDUSTRY IN INDIA:

Besides an effort, initiative and investment during the past five years, the progress will be made on a phased manner which does not come without major challenges. The following factors which impact on warehouse industry in India. Some of the factors are:

1. Unorganized Sector: Warehouse industry in India is still in unorganized and fragmented. This is due to most of the warehouse sector in India is having less than 10,000 sq.ft with result in high inventory holding costs, higher storage and improper material handling which leads to damage of the product.
2. Transportation Sector: Transportation is the major problems in the warehouse sector due to delay in procurement materials. The transit time delay may loss the delay in production. Some of the problems in transportation sector are:
   a. Pathetic road condition in rural areas.
   b. Variation of fuel prices.
   c. Minimum number of refrigerated fleet vehicle.
   d. Lack of wireless technology and GPS facility.
   e. Poor warehouse storage facility in major airports in India.
3. Availability of Workforce: Warehouse industry lacked trained personnel in India. It is difficult for the fresher who can operate material handling system and warehouse management system.
4. Availability of Land: Land allocation in India is a difficult task. Due to increase in real estate prices of land in and around major cities, procurement of land for warehouse industry is a tough.
5. Standardization: Most of the warehousing industries in India are less standardization. India’s logistics sector has adversely affected due to lower standardization of cargo and material handling, increasing cost of storage and movement due to transit time delay.
6. Availability of IT: Most of the warehousing industries are unorganized. Hence, the availability of IT enabled services would be a minimal. Multi-modal and Inter-modal transportation infrastructure is yet to fully develop.
VII CONCLUSION:

In this study, we tried to highlight the importance, initiative and challenges faced in warehouse sector in India. The entire study is based on the secondary source of data and information. Also no attempt is made on the analysis on issues and challenges of warehouse industry in India. Hence, there is enough scope of potential research on this topic. In last decade, warehouse sector in India market growth is increased by 10-12% of every year. This is happened due to the growth in manufacturing, retail and FMCG sectors. There is a development phase in recent years due to the implementation of GST, policy and regulation, integration of IT sector and e-commerce, hence warehouse sector in India will grow rapidly. However, the overall growth of warehouse industry is limited due to some key challenges like land acquisition, less standardization of handling material, infrastructure connectivity and less skilled labour which would need to be addressed soon to ensure the sustainable economic growth in India.

REFERENCES: