

India's Path to Supply-Chain Excellence: Mitigating Costs, Streamlining Infrastructure, and Closing the Labour Skills Gap

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In a rapidly changing global business landscape, supply chain diversification has emerged as a strategic imperative for companies worldwide. As the world reevaluates supply-chain strategies in light of unprecedented disruptions, India stands at the crossroads, poised to become a global contender. To do so, it must address high logistics costs, optimise its infrastructure, and bridge the skilled labor gap.

One of India's key challenges in achieving supply-chain excellence is its high logistics costs. According to a World Bank report, logistics costs in India account for nearly 14 percent of the GDP, significantly higher than the global average of eight percent. These elevated costs hinder the country's competitiveness and discourage foreign investments.

A significant portion of these costs arises from inefficiencies in India's transportation infrastructure. Roads, railways, and ports need substantial improvements to facilitate smoother, more cost-effective movement of goods. While some progress has been made, there's a need for further investments in modernising and expanding these networks.

Infrastructure Revival

India's infrastructure development has been gaining momentum, with ambitious projects such as the Bharatmala and Sagarmala initiatives aimed at improving road and maritime connectivity. These projects, along with the increasing emphasis on smart cities, are expected to significantly reduce logistics costs over time.

Additionally, the introduction of the Goods and Services Tax (GST) has streamlined India's complex tax system, further benefiting logistics and supply chains. A report by Ernst & Young highlights that GST has eliminated tax-on-tax, reduced transit times, and enhanced overall transport efficiency.

Skilling the Workforce

A **skilled labour force** is the backbone of a robust supply chain. However, India faces a significant challenge in terms of labour skills. The McKinsey Global Institute notes that while India has a large labour force, it is plagued by skill mismatches, leaving a considerable portion unemployable in supply chain roles.

To mitigate this gap, the government and private sector must invest in vocational training programs and education to develop **skills** that match the demands of the industry. This will not only bridge the labour skills gap but also empower the workforce with the capabilities needed to drive the country's global supply-chain diversification.

India's commitment to becoming a global **supply-chain** contender is reflected in its performance on the World Bank's Logistics Performance Index (LPI). In the latest report, India jumped to the 44th position, marking a significant improvement. The LPI rates countries based on infrastructure, logistics quality, and efficiency of customs and border management, among other factors.

As India continues to progress on these fronts, international investors and companies are taking notice. A recent study by PwC and the Confederation of Indian Industry (CII) reveals that 80 percent of global CEOs consider India a favourable destination for sourcing due to its vast market, improving infrastructure, and skilled workforce.

India's journey to becoming a global **supply-chain** contender is well underway, and it has the potential to reshape the industry on a global scale. As logistics costs decrease through infrastructure improvements, and as the workforce becomes more skilled and adaptable, India's appeal as a manufacturing and distribution hub will only grow.

The government's initiatives and policy reforms, such as the 'Make in India' campaign and the National Logistics Policy, are further evidence of India's commitment to streamlining supply-chain processes. These reforms will enhance trade facilitation, reduce costs, and increase the efficiency of logistics operations.

The challenges India faces in its quest to be a leader in global supply-chain diversification are substantial, but so are the rewards. As it works to mitigate high logistics costs, optimise its infrastructure, and bridge the skilled labour gap, India is well on its way to transforming into a supply-chain powerhouse capable of competing on the global stage. With continuous efforts, investments, and reforms, India's role in shaping the future of supply chains is set to become increasingly influential.