



EXECUTIVE SUMMARY

# EXPRESS DELIVERY SERVICES

SUPPORTING THE JOURNEY  
TOWARDS INDIA@2047

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# EXECUTIVE SUMMARY



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The growth of domestic and international trade created the need for just-in-time fast-track deliveries, which led to the growth of the express delivery services (EDS) industry. The EDS industry provides integrated door-to-door transport of documents and products and plays an important role in connecting enterprises, especially small and medium enterprises (SMEs), to the global value chains. This report presents how EDS can support India in achieving its growth targets as it embarks upon its journey towards *Amrit Kaal* - or India @ 2047. It identifies the regulatory, infrastructure, technology and manpower related barriers and makes recommendations on how to develop India as an express delivery hub, attract investments, and increase the contribution of the sector to the economy. The report is based on (a) secondary data and information analysis (b) 15 key informant interviews (KIIs) and stakeholder consultations.

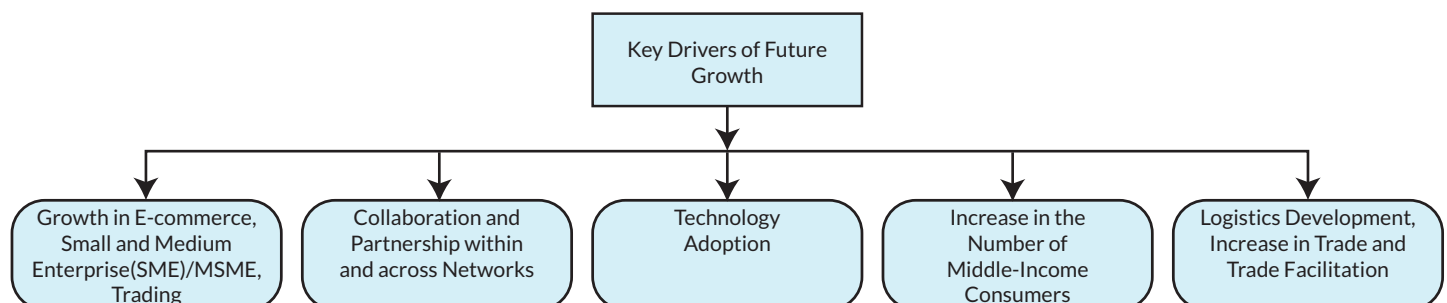
### Global Developments

- The revenue of the global express delivery industry is projected to increase from USD263 billion in 2020 to USD378 billion by 2027 and USD484 billion by 2030.
- The Asia-Pacific region accounted for 40 per cent of the revenue in 2020, and India is one of the fastest growing markets.
- Global growth is driven by digitalisation, reduction in the cost of smart phones, an increase in the size of the educated middle-class, internet penetration and the requirements of firms and consumers for fast-tracked, on-time online orders and deliveries.

- Many countries have focused on the privatisation of the postal sector, increased competition and improvements in productivity and efficiency.
- Mergers/acquisitions and collaborations/partnerships, along with start-ups and technology upgradation, is driving growth and improving efficiency.
- EDS is a key sector in trade negotiations and cross-border investment flows.
- It is a labour-intensive sector, with strong implications for employment creation in countries like India.

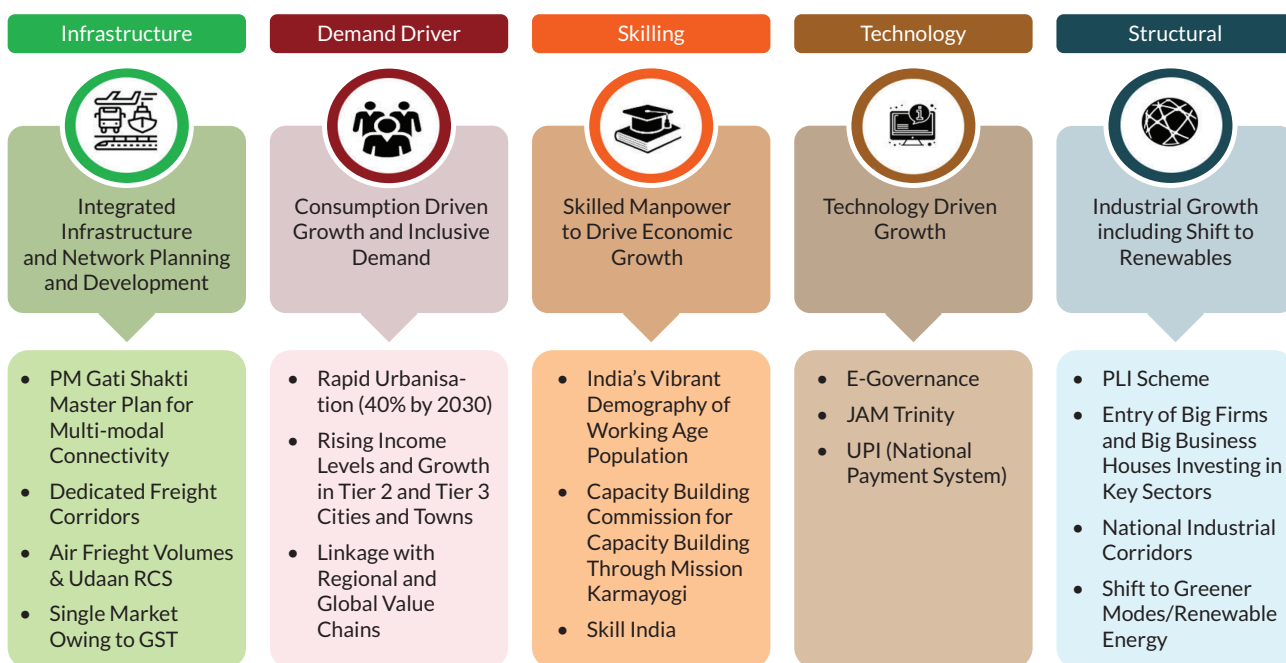
### India: A Small but One of the Fastest Growing Markets for EDS

- The Indian EDS sector contributes to around 2 per cent of the industry's global turnover. The sector grew at a compound annual growth rate (CAGR) of 15.8 per cent from USD1.7 billion in 2012 to USD5.5 billion in 2020.
- Key growth drivers include the growth of e-commerce, a growing middle class, government support for digitalisation and start-ups, implementation of the single goods and services tax (GST), the focus on logistics sector under the PM Gati Shakti - National Master Plan for Multi-modal Connectivity and the National Logistics Policy, 2022, and government support for onboarding Micro, Small and Medium Enterprises (MSMEs) to digital platforms.
- Domestic traffic contributed to a 77 per cent share in 2016-17. By 2047, the contribution of international express will increase to 25 per cent from 23 per cent.



### Five Pillars with Examples to Support Future Growth

Drivers of India's Vision of 17 Trillion Dollar Economy by 2047



Roadways and air transport contributed to a share of 55 per cent and 45 per cent respectively in 2016-17. The share of roadways may change to 50 per cent, air express to 40 per cent and railways to 10 per cent. Development of freight corridors and the use of long-haul rail transport by express companies will be a game changer in this sector.

### Growth of the Indian Express Delivery Industry under Different Growth Scenarios of the Indian Economy (2047)

The express industry has historically grown at 2 to 2.5 times the nominal GDP growth rate. The increase in economic activity is expected to at least double the demand for business-to-business (B2B) and business-to-customer (B2C) express delivery services. Growth in economic activity is expected to result in greater express movement in domestic as well as international markets. The three different growth projections for the EDS sector in India under three different scenarios for GDP growth are as follows:

Scenario	GDP Growth	Growth of EDS
Optimistic	8-8.2%	21%
Conservative	7.2-7.5%	18%
Pessimistic	6%	15%

### Unleashing the Contribution of the EDS

- The growth of EDS is related to the growth of its user industries; at the same time, user industries benefit from a modern EDS, which can provide just-in-time door-to-door services, reduce delays and enhance their global competitiveness.
- The growth of cross-border EDS is related to the removal of barriers to cross-border trade and a conducive domestic policy.
- An efficient EDS sector can contribute significantly to reducing logistics cost in India, but, to achieve the full potential of this sector, the barriers have to be eliminated or reduced and global best practices mentioned in this report adopted.

The top five barriers faced by the sector and the reform requirements that can help the sector achieve its full potential and support India's journey towards *Amrit Kaal* are presented in the table below.

## Barriers

### Regulatory Barriers

#### (a) Issues Related to the Courier Imports and Exports (Electronics Clearance) Regulation, 2010

- Value limit restrictions on exports through courier/ express
- Restrictions on import of certain commodities which require clearances from partner government agencies (PGAs)
- Suspension of the licence of authorised couriers pending investigation when there is no wilful act of non-compliance committed by the authorised courier in customs notified area
- The authorised couriers are required to verify the 'know your customer' (KYC) details of the exporter and then store and present this data to the customs authorities on their behalf. This causes a lot of issues as the authorities reject it in case of a slight mismatch. The act of storing a KYC number requires courier companies to maintain additional checks and balances to ensure privacy and authorised use of personal data. The delay in the process leads to consumer dissatisfaction

#### (b) GST Related Barriers

- Separate GST registration is needed for each state, undermining the concept of India as a single market or 'one nation, one tax'
- Multiple documentation requirements
- Issues with Electronic Way (e-way) bills – short validity time
- Higher penalty amount for transporters as compared to consignor/consignee, which is discriminatory

## Way Forward

### Addressing Regulatory Gaps

#### (a) The Courier Imports and Exports (Electronics Clearance) Regulation, 2010, needs to be amended/ changed to give express delivery services a level playing field with general cargo

- Remove value limit on exports through express mode
- Remove the restriction on imports of commodities through courier mode that require clearances from PGAs. Further, there is need to link the express cargo clearance system (ECCS) with the PGAs. There should be adequate staff in the PGA to clear cargo from express terminals
- Implement voluntary disclosure to provide operational certainty and stability as is implemented by many countries such as Singapore, Thailand and the United States of America (USA). Any punitive action should only be taken after proper investigation and if proven guilty. Licence should be suspended only if there is proven wilful act of the carrier
- The KYC documents such as GSTIN or export-import code are now available online. Government agencies and customs need to ask other government departments to provide those details, which will help in better authentication, rather than ask courier companies to provide it. With data protection requirements and awareness, getting KYC from individual importers is a challenge. It is better to use a technology-based risk management system

#### (b) While GST has been able to integrate the Indian market, there are some gaps that need to be addressed

- There should be a single pan-India registration for GST instead of requiring that EDS companies register in each state. In this context, India can learn from the European Union (EU) example of harmonisation of excise duties and value added tax (VAT)
- In nearly all states, goods transit has to be accompanied by significant documentation such as waybills, *challans*, etc. Therefore, India may introduce a computerised self-declaration model
- Requirement of e-way bill should be dispensed with since Electronic Invoicing (e-invoicing) has been introduced and the same set of data is being collected through e-invoicing
- Penalty should not be higher for transporters and there should not be discrimination

## Barriers

### Infrastructure Related Barriers

#### (a) Railways

- Lack of dedicated freight corridors
- Slow movement of trains, lack of secure uploading and downloading facilities in stations, issues related to service quality and safety of consignment
- Private participation is only allowed in container transportation, and express industry is unable to use the services of fast passenger trains
- Roll-on-Roll-off (Ro-Ro) facility is only available at selected destinations

#### (b) Road Transport

- National/state highways – inadequate capacity, poor riding quality, distressed bridges, lack of by-pass roads, wayside amenities and safety concerns

#### (c) Air Transport

- Lack of dedicated space for express providers at airports. Parking bays are not at close proximity
- Airport operators charge a high price for the movement of shipments from/to air freight stations (AFS). High and differential royalty charges. High aviation turbine fuel (ATF) cost
- Multiple clearances required to commission express and cargo terminals –no time bound clearance or single window clearance

## Way Forward

**Infrastructure development under PM Gati Shakti – National Master Plan for Multi-modal Connectivity, will help to address the infrastructure gaps – if properly implemented**

#### (a) There should be modal shift from road to rail for delivery of express consignments to reduce cost and turnaround time.

- Dedicated corridors with high-speed trains will benefit EDS
- Secure facilities for express cargo downloading and uploading at railway stations needs to be created
- Private investment should be encouraged
- Ro-Ro facility should be widely available

#### (b) Road connectivity needs a holistic approach

- Better quality of roads, traffic management, connectivity to Tier 2 and 3 cities, will enhance speed of movement. Adequate rest areas, driver safety, parking, etc., should be considered at planning and implementation stages

#### (c) Focus on aviation infrastructure under the PM Gati Shakti – National Master Plan for Multi-modal Connectivity to develop India as a global cargo hub and for fast-track cargo clearances

- Make available freighter bays close to express terminals, staging areas for unit load devices (ULDs), warehouses with air side and land side access, sufficient land side truck docks, adequate availability of parking, etc.
- Creation of express terminals should be included in the airport master plan with adequate provisions for dedicated facilities for integrators and common user terminals
- Permit AFS near airports to facilitate export and import clearances
- Rationalise charges and fees to reduce logistics costs
- There should be single window clearance in a time bound manner; the single window should comprise government agencies including customs, Bureau of Civil Aviation Security (BCAS), Central Industrial Security Force (CISF)

## Barriers

### City/Municipal Level Issues

- Different timings for entry of express vehicles in different states
- Lack of dedicated parking space for express vehicles

### Skill Related Barriers

- Shortage of skilled manpower/workforce at different regulatory agencies
- Gaps in skilling programmes for the EDS sector

### Technology Related Barriers

- Lack of technology integration between agencies such as ECCS and GST Network (GSTN)/Directorate General of Foreign Trade (DGFT)/Special Economic Zone (SEZ) online, customs and PGAs, RBI
- Limited use of technology by micro, small and medium users

## Way Forward

### Facilitate Access and Fast-track Goods Movement within Cities

- Provide flexibility to express cargo on entry and exit timings
- Have planned dedicated space for express vehicles

### Focus on Skill Development and Training

- Map the skill shortages and requirements in key government agencies and accordingly hire or train officers
- Collaborate with the private sector and encourage more private investments in skill development programmes

### Make Technology a Key Driver of Growth and Trade Facilitation

- Improve efficiency, interdepartmental co-ordination, risk management and data sharing between government and stakeholders through automation and use of technology
- Make e-commerce the future driver of growth and for linking MSMEs to global value chains. Work with express companies and their e-commerce partners in key government initiatives to onboard MSMEs and enhance their global reach through the use of technology

## ABOUT THE AUTHORS



**Dr. Arpita Mukherjee** is a Professor at ICRIER. She has over 25 years of experience in policy-oriented research, working closely with the government in India and policymakers in the European Commission and its member states, United States (US), Association of Southeast Asian Nations (ASEAN) and in East Asian countries. She has conducted studies for international organizations, Indian industry associations, non-government organisations and companies.

Her areas of expertise include trade and investment; services; special economic zones; logistics and economic corridors; retail and food supply chain; start-ups, entrepreneurs; e-commerce and cross-border labour mobility. She specialises in sector and product-specific market trends, go-to market strategy, and government policies.

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**Mr. Atul Sanganeria** is an infrastructure and logistics professional with vast experience in designing and implementing large scale industrial infrastructure projects including industrial corridor development, multimodal logistics park development and support in reforming institutional and regulatory bottlenecks in logistics sector, including for promoting industrialisation and linking firms to regional and global value chains. He has rich experience of working with central ministries and several state governments in India and other Asian countries including Maldives, Bhutan, Sri Lanka and Bangladesh, Indonesia, Thailand and Singapore. He also works at the intersection of infrastructure, investments and finance and is recently involved in supporting various South Asian countries in attracting regional investments in various sectors.

He is working as an independent corridor and logistics expert with companies and multilateral agencies (including USAID, ADB, IFC) in implementing critical initiatives pertaining to domestic and international trade facilitation, development of logistics parks and terminals, warehouses and several IT initiatives for driving logistics efficiency.

He was part of the core team involved with the Logistics Division in the Ministry of Commerce, Government of India in supporting the development of the National Logistics Policy. He was a part of the core team on the East Coast Economic Corridor Development including Vizag Chennai Industrial Corridor, Chennai Kanyakumari Industrial Corridor and initial phase of Odisha and West Bengal Corridor Development. He is also the logistics expert for the Cross-Border Infrastructure Connectivity initiative for USAID, which under the Indo-Pacific Strategy. In the past, Atul has had stints with Global Infrastructure Hub, IFC, Singapore, PricewaterhouseCoopers Pvt. Ltd. South Asia team, Towers Watson Global Risk Consulting, and Public Systems Group at IIM Ahmedabad. Atul has economics, finance and policy degrees from National University of Singapore, Jawaharlal Nehru University, Delhi and St. Xaviers College, Kolkata.



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*Excellent Report! There is a need to ease the regulatory hassles to achieve the milestones, and the right approach is to forego the value limits on exports as suggested by this report.*

— Dr John Joseph  
Special Secretary (Retd.), Government of India

*The express delivery industry unquestionably provides an essential service; its contribution to swift movement of life saving medicines, vaccines, etc., has been especially critical during the pandemic. Measures already taken to facilitate this industry are appreciable but these have largely been ad hoc, piecemeal and time consuming. It is imperative Government works closely with EICI on this Vision document to support this industry and economic growth and also on establishing a Single Window for comprehensive, coordinated and time-bound action on all matters – regulatory, infrastructure, skilling, etc. This would be a win-win for this vital industry and all stakeholders, especially the MSMEs.*

— Sandeep M. Bhatnagar  
Ex-Member Customs, CBIC

*This study lucidly brings out various growth drivers, and opportunities from new users and digital and technological advances that have been propelling a faster growth of EDS through road and air transportation in India in the last decade. Identification of challenges and barriers in realising the Vision for India@2047 entailing an annual growth rate of EDS of 18-21 per cent, has been supplemented with actionable recommendations to bridge them. Besides national and local-level regulatory gaps and overcoming infrastructural and technological barriers, skill development has also been emphasised. Notably, the study usefully brings out signs of entry of Indian businesses in international cross-trades and emergence of competitively-priced Indian rail long-haul domestic transportation and trans-continental global rail systems.*

— Vandana Aggarwal,  
Former Senior Economic Adviser, Ministry of Civil Aviation, Government of India



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Indian Council for  
Research on International  
Economic Relations  
(ICRIER), New Delhi  
[www.icrier.org](http://www.icrier.org)

The Work is published by AF Press  
in association with Indian Council for Research  
on International Economic Relations (ICRIER),  
New Delhi.

ISBN 978-93-327-0516-6

