

# The Study of Contribution and Challenges of The Aviation Sector in The Indian Economy

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## Abstract:

India, the third-largest domestic market for civil aviation in the world, is showing rapid growth. The aviation sector is providing many opportunities for success not only within the country but also abroad. Privatization is expected to strengthen the civil aviation sector and contribute to its massive expansion. India is the fastest-growing aviation market in the world. The contribution of the aviation industry to the Gross Domestic Product (GDP) is about 5%. About 40 lakh people have got employment in this industry. The number of passengers has also increased continuously. But Indian airlines are in dire straits due to stiff competition, low fares, expensive maintenance, and high fuel prices. In today's time, technology is changing so quickly that with the help of new technology, competing companies beat the companies adopting old technology in business. Some airlines create excess capacity at uneconomical prices, such as by purchasing more aircraft than required and for this by seeking credit facilities from banks, availing various credit facilities at higher interest rates and finally They get trapped in such a cycle from which it is impossible to get out. Today most Indian airlines are facing a similar situation. In this research paper, the contribution and challenges of the aviation sector in the Indian economy have been studied.

**Keywords:** Airlines, Indian Economy, GDP, Aviation Industry

## Research Methodology:

The research paper has depended on secondary data.

## Objective of Research:

- 1) To study the contribution of the aviation sector in the Indian economy.
- 2) To study the challenges of the aviation sector in the Indian economy.

## Introduction:

The country is moving towards a 5 trillion economy and it is going to give a boost to the aviation sector. 90 years ago, India's first licensed commercial pilot J.R.D. Tata operated the first flight of an airline from Karachi to Mumbai. Then it was called Tata Air Services. Although the DeHavilland Puss Mouth aircraft had 2 passenger seats, it only carried mail. It is difficult to imagine how this modest beginning in October 1932 has grown into the vibrant and fast-growing aviation industry of India today. However, the aviation industry progressed in the decades following the first flight. Deregulation in 1994 gave it a fillip and attracted intrepid entrepreneurs and business magnates to the sector. It has achieved success through a period of innovation, experimentation, and social failure. This has seen the birth of new airlines and the rebirth of others in the ensuing period.

In the last three years, India's civil aviation sector has become one of the fastest-growing in the country. It can be broadly divided into three categories: scheduled air transport service, which includes both domestic and international airlines; non-scheduled air transport service, including charter operators and air taxi operators; and air cargo service, which includes air delivery of mail and cargo. In South Asia, domestic travel accounts for over 69% of all airline travel, and India's airports could accommodate 1 billion passengers annually by 2023. As per the air traffic movement, which stood at 613,566 in the first quarter of FY 2022-23, as against 300,405 in the same period last year, a growth of 104.24%, indicating that the Indian aviation sector has fully recovered from the COVID-19 pandemic. Has recovered. Within the next ten years, India, which now has the seventh-largest civil aviation industry in the world, is projected to overtake the

United States as the third-largest civil aviation market. With the highest market share, IndiGo is the largest airline carrier in India. India has overtaken the UK to become the world's third-largest domestic aviation market and is expected to overtake it by 2024. The civil aviation sector in India is expanding in many areas, but there are still many hurdles to overcome. The Indian aviation sector has risen above all major challenges including the pandemic, and the industry gets its boost from the pandemic COVID-19 disorder followed by a successful vaccine rollout.

At present, the number of air travellers is increasing. At present only seven out of 100 people travel by air. If this figure increases from seven to forty, then this figure will reach one crore. It is possible. The experience of doing business in the aviation sector may not be very smooth as we get negative feedback many times, but surely now it is moving towards positivity.

### **Contribution and Challenges of the Aviation Sector in the Indian Economy:**

The aviation industry is linked to other economic sectors and generates income. The domestic market segment of the Indian air transport industry has experienced particularly rapid expansion in recent years. A growing share of middle-class households, competitive low-cost carriers, expanding infrastructure at major airports and a supportive policy environment boost the economy. Growth in demand for air travel in India requires a robust ecosystem and encouraging government policies. In the longer term, the underlying factors that influence air travel demand, such as population growth, demographic changes, and rising earnings, are positive and supportive of further expansion. According to estimates, 6.2 million new jobs are created in India by foreign visitors who fly in. India's GDP receives a total annual boost of \$72 billion from the aviation sector.

The Indian economy is growing, pushing GDP past 8%, and this rapid growth rate will continue for a few more years. Air traffic has increased significantly, and the transportation sector is projected to see a growth of over 25%. Air travel in India has become more widely known with the advent of private operators and a significant drop in air ticket rates. In India, the aviation industry directly supports 3,90,000 employees and indirectly sustains around 5,70,000 jobs through various supply chains. Additionally, air travel promotes investment and tourism in India. Airports are changing their ownership and administration, going from public ownership in public-private partnerships to being operated by a concession agreement on behalf of the owner, and eventually being fully privately owned. As a result, there is greater potential for greater airport development investments, which in turn will enable suppliers to expand their market share with both existing and new goods.

Advanced concepts such as "walk-through security" have been developed using state-of-the-art technology to reduce passenger waiting times, while biometrics can be used to automate verification processes and reduce manpower. Airport security systems have fast become a huge trend. Suppliers are encouraged to incorporate cybersecurity services into their IT systems. Suppliers are aggressively promoting security solution suites to gain a competitive advantage and expand their market presence. As passenger operations evolve, passengers will be able to complete all services from check-in to boarding the flight on their own. This will help in resource optimization, cost reduction, and increase in non-aeronautical revenue. Suppliers have created new standardized products to support such services, such as self-service platforms and e-boarding. Passengers will also be able to control their journey including tracking their luggage.

Growth in non-aeronautical income for airports will result from targeted marketing, including information on store locations and airport discounts, as well as new shopping methods such as online shopping and offsite delivery of goods. Suppliers have offered passenger tracking and flow management systems as well as personalized technology that uses Bluetooth and Wi-Fi to identify and communicate a customer's location about a business.

Air travel has grown rapidly due to increased competition on major routes, the expansion of low-ticket fares, and the availability of additional flights. By 2025, the number of passengers traveling by air is projected to double, while airline operations are expected to triple. The Asia-Pacific region has seen a growth in the air travel population. As a result, providers have targeted this region to develop a market presence and create growth potential. Freight traffic grew at a CAGR of 2.52% between FY16 and FY22, from 2.70 MMT to 3.14 MMT. The freight traffic in the first three months of FY 2022-23 was 0.81 MMT.

The Government of India is striving to build more airports to handle the increased aviation traffic. By 2022, there were 129 active airports in India. India plans to have between 190 and 200 operational airports by FY2040.

The airport will focus on generating energy from renewable sources and upgrading energy management technologies to meet stringent noise and air pollution norms. The International Air Transport Association serves as the final element of international regulation. This airline industry organization offers governments to negotiate bilateral agreements with tariff negotiation procedures. It has also addressed economics and accounting, environmental issues, and consumer rights. India will require 2,380 new commercial aircraft by the year 2038 due to the increase in demand for air transport. The travel market in India, which was estimated to be around US\$ 75 billion in FY 2010, is estimated to reach US\$ 125 billion by FY 2027, according to a research titled "Travel Market in India" released by Red Corps. A division of Red Sear's that focuses on early-stage startups. Airport digitization is growing rapidly, supporting trends such as increased automation and optimized passenger services. This will result in a connected airport with visibility into all activities and the ability to more effectively track and manage performance against key performance indicators.

In the aviation industry, there is a shortage of trained and skilled workers, which leads to hot competition for labor and ultimately to unstable wages. Additionally, the sector fails to retain skilled employees/workers. The proportion of international air travel will continue to change for at least until 2023 due to the increasing number of travel restrictions from the worst of COVID-19 on the aviation sector, as well as periodic lockdowns. Within the first several months of the pandemic, the economic situation turned dire, leading to nationwide lockdowns, shortages of necessities, and huge loss of life affecting major regions around the world. Among them, the aviation industry was one of the most damaged.

One of the components that play an important role in the operating profit or loss of an airline is the price or yield. Real returns declined and commercial liberalization resulted in fierce competition. However, expectations of a dynamic market and how airlines meet them through cost control in markets that remain highly competitive will have an impact on future yield growth. While efforts have been made to improve the infrastructure, the results will not be apparent for some years. Even though several airlines are operating, there is a lack of regional connectivity. One of the biggest problems facing India's aviation industry is providing regional connectivity. The absence of airports is hindering the expansion of regional connectivity. Global airport income virtually disappeared without fees related to air traffic and passengers, as evidenced by the closure of many airline firms.

Input cost is very high in respect of one component of the reason, such as withholding tax on interest repayment on foreign currency loans for aircraft acquisition. There was also a concern that business travel would be replaced by video-based conference calls and webcast business conferences as Internet and multimedia technology advanced. However, since personal contact is still valuable to doing business, it has not yet had a major impact on business travel. Oil prices rise as a result of Russia-Ukraine war: As Russian President Mr. Vladimir Putin declared war on Ukraine, Brent crude oil price crossed \$100 per barrel. According to industry observers, the aviation, paint, and oil marketing industries and many others are facing significant challenges as a result of rising crude oil prices.

### **Conclusion:**

At present, the civil aviation industry is a rapidly growing sector in India. Passenger traffic in India has increased from 14 million in 2001 to 140 million in 2017, which is expected to reach 1.1 billion by 2040. The Indian civil aviation industry is going through an unprecedented phase of expansion, where on the one hand the sector is witnessing growth, while on the other hand, Indian airlines are facing various structural challenges which are making it difficult to operate smoothly. At present, India is rapidly emerging in almost all sectors at the global level. In such a situation, the aviation sector cannot be ignored. This sector is a major employment provider as well as a significant contributor to the economy. Other structural reforms are also needed in this sector, which will ensure the progress of this sector. Governments have failed to formulate a successful long-term policy for the airline industry. Since airlines are paying in dollars for service delivery, rupee depreciation and rupee volatility have hurt the profitability of the industry.

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