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Indian aviation industry: An overview

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Abstract
The present paper is an initiative to understand the concepts of Indian aviation industry and its growth over the period. The objective of this paper is to undertake an empirical study on service qualities provided in different air ports in India and come up with some concrete solutions to provide better service quality to passengers and visitors in the different air ports. In this regard secondary data considered.

Keywords: aviation industry, airport, passenger traffic and air strips

Introduction

Indian aviation sector is growing at an accelerating rate and the country is getting the benefits of its improved connectivity. Since its inception the sector has seen many changes. The vast geographical coverage of the country and its industrial growth makes the aviation sector more meaningful. The rising working group and economic improvement of Indian middle class is also expected to boost the growth of the sector further. As a result of this growing demand the Government of India is planning to increase the number of airports to 250 by 2030.[1]This improvement in infrastructure has happened to be as a result of improved business and leisure travel. The major requirement of the aviation sector is development of ground infrastructure. The Government of India has planned to invest approximately US$12.1 billion, out of these private investment is in the tune of US$9.3 billion.[2] Private investment is one of the important components to develop the ground infrastructure. It is not possible for the government to develop a robust nature like this without the help of private players. More importantly the private players have the expertise to develop a technology enabled airport which is the need of the hour. Another area which now a days the government is also focusing is to create green airport to reduce the environmental impact. To improve the participation of private players, the government has decided to increase the FDI upto 49% through automatic route in case of air transport. Thus, the sector which was mainly dominated by the government agencies now is going hand in hand along with the private players. The increased competition in the market helps to improve the on air as well as ground services.

Objectives of the study

- To know the concepts of Indian aviation sector
- To undertake empirical study on service quality provided in airports

Methodology

The present study based on secondary sources and for this purpose various libraries visited for collection of data.

Growth of Indian aviation sector

Indian aviation sector has a long history and moved from private sectors to government sector then again in the hand of both government and private sectors. With every passing year, the sector witnessed significant improvement in the movement of traffic in both the passenger and cargo segment. According to India Brand Equity Survey Report, 2017 India stands at 9th position in terms of market size. During the financial year 2017, the country witnessed 21.5% improvement in domestic passenger traffic.[3]If this is the growth rate, the sector is expected to become 3rd largest aviation market in the world by 2020.[4]The growth trajectory of the sector is shown in the Figure 1.1.

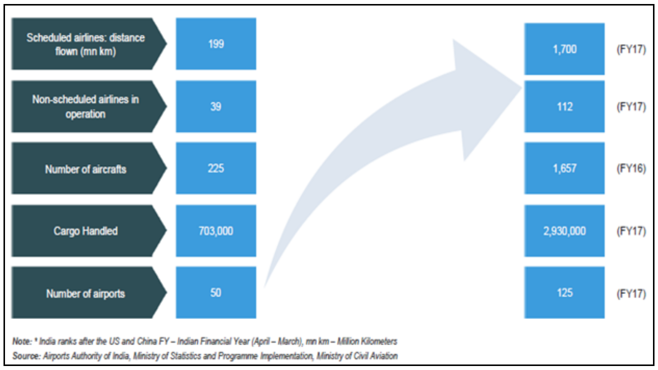
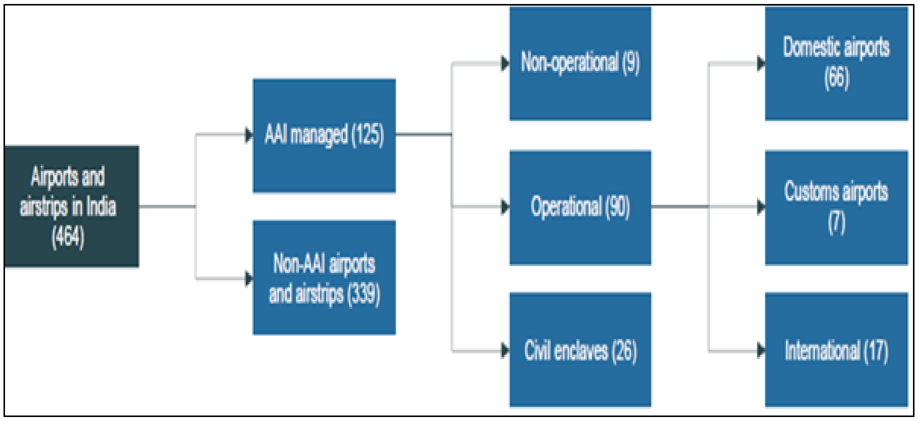


Fig 1: Growth Trajectory of Indian Aviation Sector

[1] India Brand Equity Foundation Report, 2017
[2] India Brand Equity Foundation Report, 2017
[3] India Brand Equity Foundation Report, 2017
[4] India Brand Equity Foundation Report, 2017

The growth trajectory figure is self explanatory. The figure has been drawn on the basis of certain important parameters which best describes the sector. The schedule airlines which was flown 199 mn km is expected to cover a distance of 1700 mn km. The number of non scheduled airlines which stands at 39 is expected to grow upto 112 by the end of financial year 2017. The figure also shows the number of aircrafts owned by various airline companies. It was 225 and the same has gone to 1657. Most importantly, the number of airports which was standing at 50 is expected to increase to125 during the financial year 2017. These huge improvements in airport infrastructure surely benefit the people in the long run.

Very recently the government of India has realized the potential of Public Private Partnership (PPP) model to develop the airports in India. The growing trend has many advantages. One of the primary advantages is creation of job in the local market and revenue generation of the government. The government is also in a better position to attract foreign investors to develop the airports. If we look at the vast areas of airport connectivity and addition of emerging areas it may not possible to develop the entire infrastructure single handedly.



***Source*:** India Brand Equity Foundation Report, 2017

Fig 2: Airports and Airstrips in India

In total there are 464 airports are there in India out of these 125 airports are operated by AAI. Out of the 125 airports, 9 airports are non operational and 90 are operational. These 90 operational airports can be divided into three different segments, viz. 66 domestic airports, 7 customs airports and 17 international airports. The expansion of the sector results in improved passenger flow and the same has seen significant improvement in the last decade after the introduction of low cost carriers. The rising income level of Indian middle class is also happened to be the most important factor which stimulates the growth. The table 1.1 shows the traffic movement across various airports of India along with some of the important parameters which describes the overall performance of the sector.

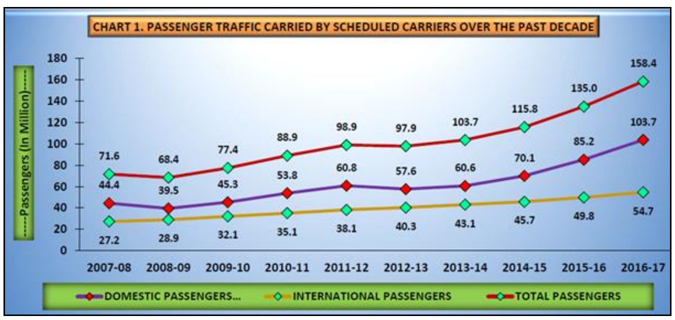
Table 1: Passenger Traffic at a Glance

PASSENGER TRAFFIC	UNIT	2016-17	2015-16
Domestic Passengers	Departing Passengers	103.75 million **(21.77)**	85.20 million **(21.58)**
Domestic Airline Demand	Revenue Passenger Kilometers **(RPK)**	98.64 billion **(21.82)**	80.97 billion **(20.81)**
Domestic Airline Capacity	Available Seat Kilometers **(ASK)**	116.94 billion **(19.66)**	97.73 billion **(15.23)**
International Passengers	Departing and Arriving Passengers	54.68 million **(9.84)**	49.78 million **(8.85)**
Total Passengers (Domestic & International)		158.43 million **(17.37)**	134.98 million **(16.54)**

Figures in parenthesis refer to percentage change over previous year.

***Source*:** Handbook on Civil Aviation Statistics, 2016 – 17, pp 1

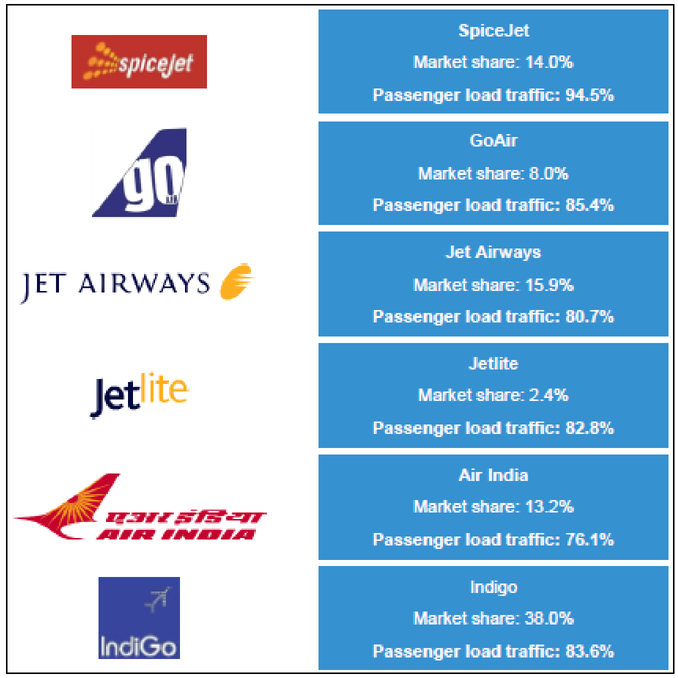
The table shows an incremental growth in domestic as well as international passengers. Number of departing passengers is increased from 85.20 million in the year 2015 – 16 to 103.75 million in the year 2016 – 17. The revenue passenger kilometers also increased from Rs.80.97 billion in the year 2015 – 16 to 98.64 billion in the year 2016 – 17. Due to this significant improvement in the passenger demand, the airlines also increased the capacity of available seats. The seat availability which was 97.73 billion in the year 2015 – 16 is increased to 116.94 billion in the year 2016 -17. The growth of air travels thus created a need for new business opportunities and infrastructure requirement. The growth has been rightly witnessed by the commercial scheduled airlines and decided to increase the capacity. Since, air travels becoming cheaper, a section of the consumers become the target consumers for the airline service providers. The first time buyers also decided to opt for air travels vis a vis other mode of travel options that are available. Saving of time and money may be the most significant factor which helps the customers to go for alternative options. The huge geographical spread of the country is another reason and it is only air transport which has the capacity to reduce the distance to a great extent. If we look at the passenger traffic carried by scheduled carriers over the past decade, then this incremental growth can be witnessed.



Source: Handbook on Civil Aviation Statistics, 2016 – 17, pp 1

Fig 3: Passenger Traffic Carried by Scheduled Carriers Over the Past Decade

The data of the last decade gives us an upward sloping trend line. The line is a clear indication of improvement of air travel. Number of domestic travelers which was 44.4 million during the year 2007 – 08 is increased to 103.7 million in the year 2016 – 17. In case of international travelers the number of travelers which was 27.2 million during the year 2007 – 08, increased to 54.7 million during the year 2016 – 17. The rate of increase is significantly high in the domestic segment as compared to international segment. This shows that travel pattern of domestic consumers have increased substantially. As most of the part of the country has been connected by air transport, the tendency of the travel pattern among the domestic flyers also increased. In case of international travelers the reason for travel is something different from domestic travelers. Most of the foreign travelers are visiting the place either for tourism purpose of for business purpose. So, it is important to look into this matter as well. Unless and until the tourism as well as investment opportunities are not created it will be difficult to attract foreign travelers. Foreign travelers are bringing much needed foreign currency in both the segment. So, this aspect should be taken into consideration while airport facilities in various parts of the country.



Source: India brand equity foundation report, 2017

Fig 4: Top Players in the Indian Market

The figure above is the list of top airline services operating in the Indian sub continent over a long period of time. Since, its operation in the year 1953 till 2000 – 2001, Air India and Indian Airlines are dominated the market as they have the monopoly business. The single player model has been changed into open market operations and foreign as well as private players started entering in the market. Jet Airways was first of its kind. Soon the other players started entering the Indian market with innovative business model i.e. Low Cost Carriers. Some of them survived some of them lost in the stiff competition. At present, it is the low cost carrier model which is dominating the Indian market. If we look at the vast majority of Indian middle class consumers, it is important to make the air travel affordable for them. Cost control is one of the important factors which some of the players are able to implement. If we look at the market share of various airline operators, Indigo is leading the Indian domestic market with 38% of market share followed by 83.6% of passenger load factor. The market share of Jet Airways and Jet Lite jointly stands at 18% approximately. Spice Jet stands at 3rd position with 14% market share and approximately 94.5% passenger load factor. This is followed by Air India, which has a market share of 13.2% with passenger load traffic at 76%. There are other players as well but their load factor and market shares are significantly low but operating at a niche segment of the Indian market or dominating in any specific geographical regions of the country. Air India, which was number one player in the Indian market, now stands fourth in terms of market. Indigo, this was relatively new in the market, able to get 38% of the total market share. This shows that customers who are availing the air transport is looking into various aspects other than the bridging the distance at an affordable cost. But, timing is not the only factor which attracts the attention of the customers towards a particular service provider; there may be other factors as well which may able to justify the reasons for choosing particular airlines. On the contrary, most of the passengers spend a substantial part in the airports as well. So, services received from airports are also equally plays an important role to avail the air transport. So, there is always a combined effect which maximizes the customer satisfaction. Being in the service industry, it is important to develop the service products in such a manner so that customers become delighted. The nature of the service industry is significantly different from the traditional markets. This is the reason why it is important to develop a separate concept of service industry and its various dimensions to understand what customer feels about services. The next section deals with the various dimensions of airport service and air travel.

Concluding Observation

With the increase in standard of living and introduction of economy class the passenger's preference also changed dramatically. Earlier airlines being used by class people only. Now a days the trends changed and now the mass people also able to travel in airlines. This is being reflected with the number of increase of passenger's volume. In 2015-16 the domestic passengers were 85.20 million and in 2016-17 it becomes 103.75 million. In case of international passengers also increased from 49.78 million in 2015-16 to 54.68 million in 2016-17. The top players are Indigo with 38% market share, followed by 15.9% share by Jet airways. Similarly Spice jet with market share of 14%, Indian airlines with 13.2% and Go air with 8%.

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