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GROWTH OF AIRLINE INDUSTRY IN INDIA

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ABSTRACT

With middle-class people taking to the skies against the backdrop of economical air fares, the Indian aviation market has grown at an average rate of 16 percent over the last decade (with FY 2017 recording 22% growth).

The international passenger traffic is also seen expanding and measured a growth of 7.6% in FY2021.

Though the sector has seen tough times in the past and still has to cope with infrastructure and other challenges, a bright future seems right at the corner. Credit goes to positive moves from the government, new entrants in the sector and the outlook of a common man towards air travel.

Many new reforms and regulations have given the much-required thrust to aviation sector in India. Few of them include: -

- Launch of UDAN (Ude Desh Ka Aam Nagrik) Policy which is aimed at improving rural air network through restoration of 31 underserved airports across different locations in the country. This move shall add 128 new routes for air travel. Proposals from Alliance Air, SpiceJet, TrueJet, Air Deccan and Air Odisha are currently being reviewed by the government for this purpose.
- Reduction in fuel cost which made low-cost airlines model possible and sustainable, leading to a spike in air traffic.
- The National Aviation Civil Policy which was released in 2016 aims to correct former issues with regards to rural connectivity, safety, and bilateral traffic rights. It also promotes aeronautical Make in India.
- The erstwhile policy which required 5 years and 20 aircrafts for international operation has been relaxed to 0 year and 20 aircrafts/20% of the total capacity of the average seats of combined departure (whichever is higher). This shall attract more FDI's and facilitate the much-needed development in the sector.

KEYWORD: BACKDROP, ECONOMICAL, EXPANDING, INFRASTRUCTURE, REFORMS, SUSTAINABLE, AERONAUTICAL

INTRODUCTION

Transport is a major driver of economy. The linkage between civil aviation sector and economic activity and its catalytic impact on general development is now well recognized. The ICAO estimated that \$100 spent on air transport produce benefits worth \$325 for the economy and 100 additional jobs in air transport result in 610 new economy wide jobs. The ICAO study attributes over 4.5% of global GDP to the air transport component of civil aviation. An efficient aviation sector is essential to support tourism, an industry with immense employment opportunity. During the last one decade the civil aviation sector has grown at a phenomenal pace and India has emerged as the 9th largest civil aviation market in the world. To illustrate this, Indian aviation currently has:

- Scheduled air services available to/from 82 airports (only 50 in early 2000).
- Enhanced national and international connectivity - 72 foreign airlines are operating to/from various destinations. • Bilaterals with 104 countries.
- 1356 International flights utilizing 3,26,705 seats per week.
- 3 Indian carriers are operating 990 flights to 35 destinations in 25 countries.
- North East Connectivity: 87 ft/wk to 286 ft/wk in 5 years (230% increase). Between 2000 and 2010 air operations Air India have expanded by 160% in terms of domestic passenger volume India now ranks 4th after US, China and Japan. It is expected to grow at a rate of 9-10% annually to reach the level of 150 to 180 million passengers by 2020. Today India has 14 scheduled airlines operating exclusive of cargo airlines. In 1990, there were only 2 airlines in operation. In 1990 there were only 100 aircrafts operating in the country which have now risen to 413. As against 39 non-scheduled operators in 2000, the figure has now swollen to 123. The total number of aircrafts in the country too have shown a rapid rise from 225 in 2000 to 735 in 2010. Similar expansion has been witnessed in airport infrastructure where the number of operational airports has increased from 50 in 2000 to 82 in 2010. The passenger handling capacity has increased from 66 million to 235 million during the same period. The growth in air cargo has been from 3 million tons in 2002 to 4.5 million tons in 2010. This is a remarkable growth story and it could have been even more remarkable but for the downturn in global economy in 2008-09. They have been occasional dips due to economic recessions, epidemics, natural disasters and political upheavals which reflect the extreme sensitivity of the sector to external global factors.

CHAPTER 1

OPERATING AIRLINES IN INDIA

1. IndiGo

Indigo is the largest individual Asian low-cost carrier in terms of jet fleet size and passengers. Headquartered in Gurgaon, Haryana, India the privately owned airline connects over 1000 flights daily to 66 destinations both domestically and internationally and is ranked as the most punctual, on-time airline in India. **History**

The initial operations began from New Delhi to Imphal via Guwahati with just one aircraft. With the expansion in six years after the commencement, Indigo surpassed Jet Airways to become the largest airline in India in terms of market share. With a current fleet size of 224, Indigo placed the largest single order ever in Airbus history for 250 Airbus A320neo aircraft worth \$27 billion. **Awards** IndiGo has been honoured with Asia's Leading Domestic Airline award and 'Best low-cost carrier in Asia and South Pacific' in 2018. This year IndiGo became the only Indian airline to be felicitated with 'The Best Partnership Airline with Dubai Airport'. **Class of Travel** IndiGo offers **only economy class** seating but passengers can avail their premium services such as a pre-assigned seat, multiple cancellations and priority check-in with an additional cost. **Baggage Allowance**

IndiGo has generous baggage allowance 15 kg for Domestic Flights and 20-30 kg for international flights. Passenger with additional baggage can pre-book IndiGo's add-on excess baggage service for a hassle-free journey.

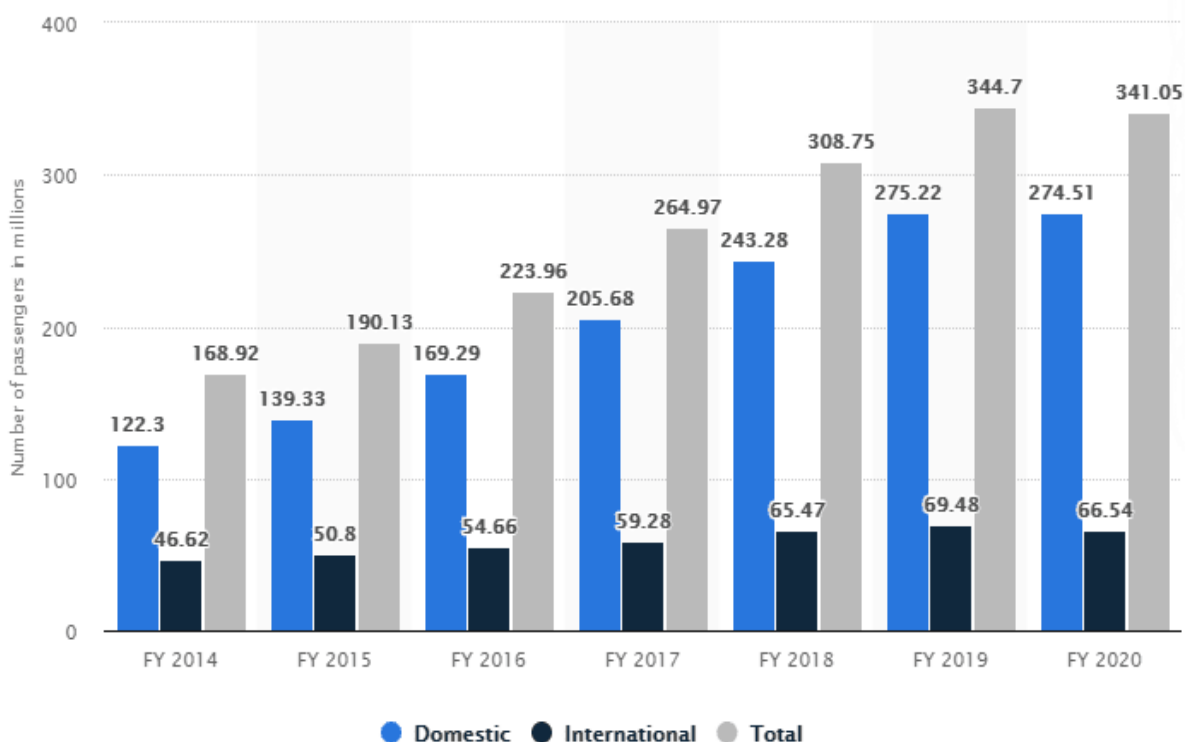


Figure 1 IndiGo Growth Chart

2. Air India

Air India is the third largest carrier in India which is a preferred airline for both domestic and international destinations. Domestically, Air India connects to metropolitan cities along with remote cities in India. With a global presence, Air India currently connected 37 international and 69 domestic destinations. **History**

Air India started initial routes with post-war aircraft and has thereafter upgraded to Boeing and Airbus which serve as modern luxury planes. Founded by J.R.D Tata, a business tycoon of Tata Sons the airlines were initially known as Tata Air Services and later renamed as Tata Airlines. In 1962, Air India was the world's first all-jet airline. Air India launched a low-cost subsidiary to provide customers with low fare flights which connected various cities of India and the Middle East and Southeast Asia. **Alliance**

Star Alliance was founded in May 1997; it is one of the world's largest global airline alliances. Headquartered in Frankfurt am Main, Germany, currently have 27 member airlines who have over 670 million passengers per year. Flying Returns allows guests to earn and redeem miles across Star Alliance's carriers' airlines. Passengers can access lounges depending on the type of flight ticket and frequent flyer status or class of travel.

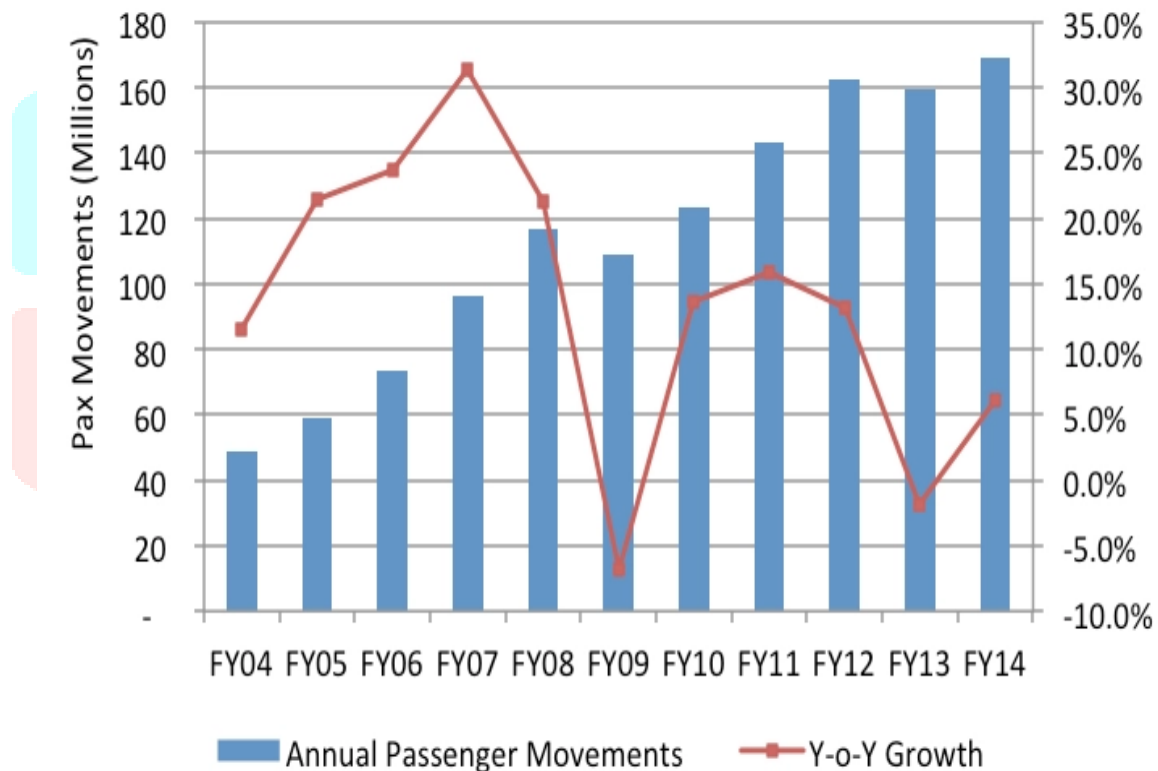


Figure 2 Air India Growth Chart

3. SpiceJet

SpiceJet is the second largest airline in India and is a low-cost carrier covering 55 destinations in India and abroad. SpiceJet's first operation in 2005 was from Delhi to Mumbai post which the airline boasts a fleet size of 96. SpiceJet has named all its aircraft with names of an Indian Spice. Awards Spice Biz - Spice Jet's New Business class is available only on select routes post-testing period. Passengers receive exclusive lounge access and priority check-in and boarding ground. All Spice Biz seats are now wide recliners and come with extra legroom Complimentary welcome drink along with the cabin class is equipped with refreshing towels, cushion and towels. SpiceMax - Spice Jet's Business class seats come with ample room for leg space and comfort. Guests who have booked SpiceMax seats get a complimentary meal. Passengers can book Business class just for INR 1000 more than economy seating. Economy class - SpiceJet's spacious and comfortable seats allow passengers to unwind during short and long-haul flights. Passengers can pre-booking their meal or order from the onboard menu. Short haul flights have an array of light snacks and refreshments to choose. SpiceJet doesn't provide any in-flight entertainment but it provides a wide range of light snacks for short-haul flights and pre-cooked meals on long-haul flights. Passengers can pre-book meals to avail discounts.

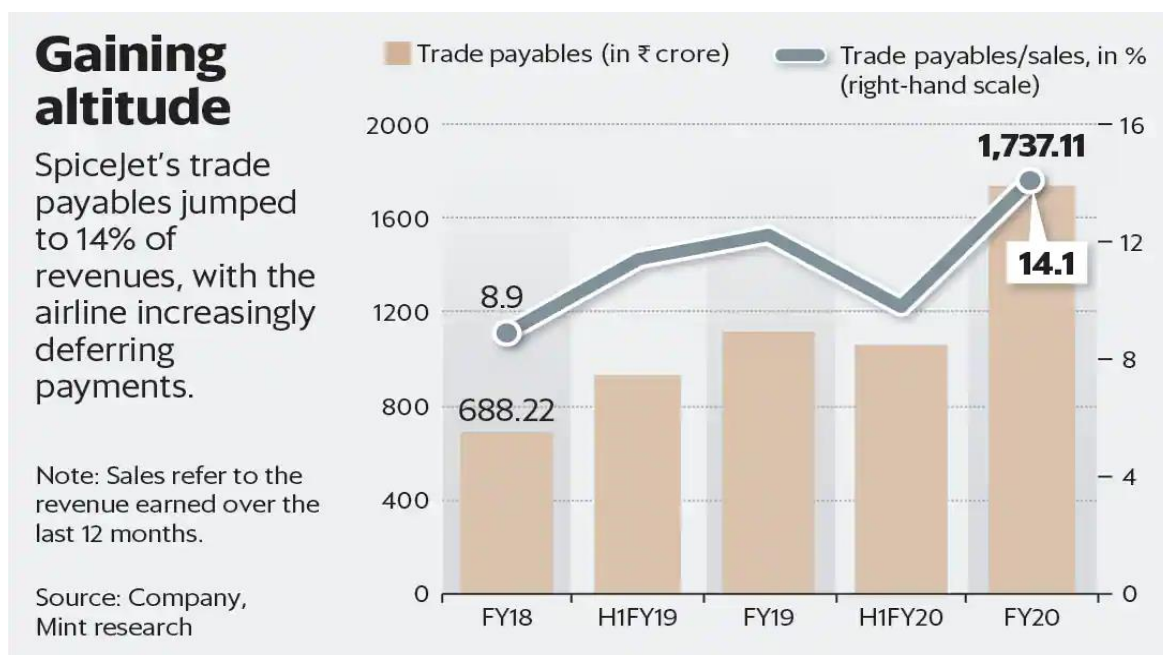


Figure 3 SpiceJet Growth Chart

4. Go First

GoAir is the largest airline in India headquartered in Mumbai, India. The low-cost carrier operates over 230 flights each day, covers 28 destinations including 24 domestic and 4 international destinations. The airline was founded by Jeh Wadia of the Wadia Group. Awards GoAir provides three classes of travel: GoBusiness - GoAir provides seats with the middle seat vacancy for extra space and provides extra leg room. Guest flying GoBusiness receive complimentary refreshments and get a free baggage allowance of 35 kgs. Guests are driven in complimentary chauffeur transfers to the airport, where one has a priority check-in and can also unwind at the exclusive lounges at select airports. GoEconomy class - GoAir's can travel in comfort with extra ample leg space. Guests can pre-book meals and refreshments or can choose from the buy-on-board menu. Baggage Allowance. This service is not available for international flights. In-flight Services Go-Getter is GoAir's in-flight magazine which features meals available onboard. As GoAir is trying to cut costs and offer low fares to customers, it does not offer any complimentary meals. Passengers can buy-on-board meals, snacks and beverages from Cafe Coffee Day. GoAir serves alcoholic beverages only for international flights. Passengers can now celebrate special occasions with GoAir's Celebration cake surprise! Guests can pre-book delicious eggless chocolate cake or fruit cake 72 hours in advance.

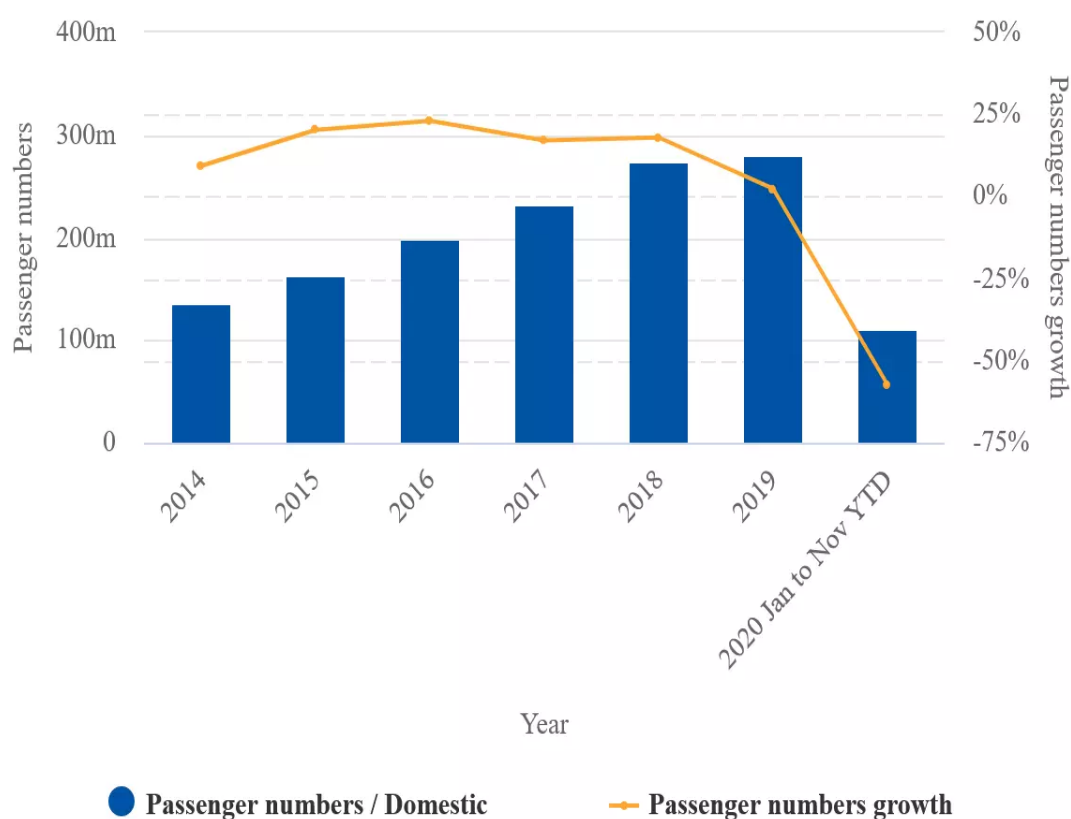


Figure 4 GoFirst Growth Chart

5. AirAsia India

In February 2013, with the Government of India allowing a foreign director of India of up to 49% in airlines, AirAsia applied to the Indian foreign investment promotion board (FIPB) seeking approval for commencing its operations in India. In March 2013, AirAsia announced that it would establish a joint venture with Tata sons and Telstra Tradeplace with Tata Sons representing the airline with two non-executive directors in the board.

The airliner planned to operate with the world's lowest unit cost of ₹1.25 (1.6¢ US) per available seat kilometre and a passenger break-even load factor of 52%. It also planned to hedge 100% of its fuel requirements for the first three years and to achieve an aircraft turnaround time of 25 minutes.

AirAsia planned to begin operations to various tier 2 and tier 3 cities with Chennai international airport as its main operating base. According to KPMG, the introduction of AirAsia was expected to cause another price war, ultimately leading to an increase in air traffic and some consolidation in the Indian aviation sector. AirAsia initially invested an amount of US\$50 million and in preparation for its operations in India, it struck deals with online and offline travel agents. March 2013, the FIPB officially permitted AirAsia to rent or lease aircraft and to carry cargo on its scheduled flights. The airline then applied for permission to schedule aircraft and transport passengers which the FIPB accepted on 6 March.

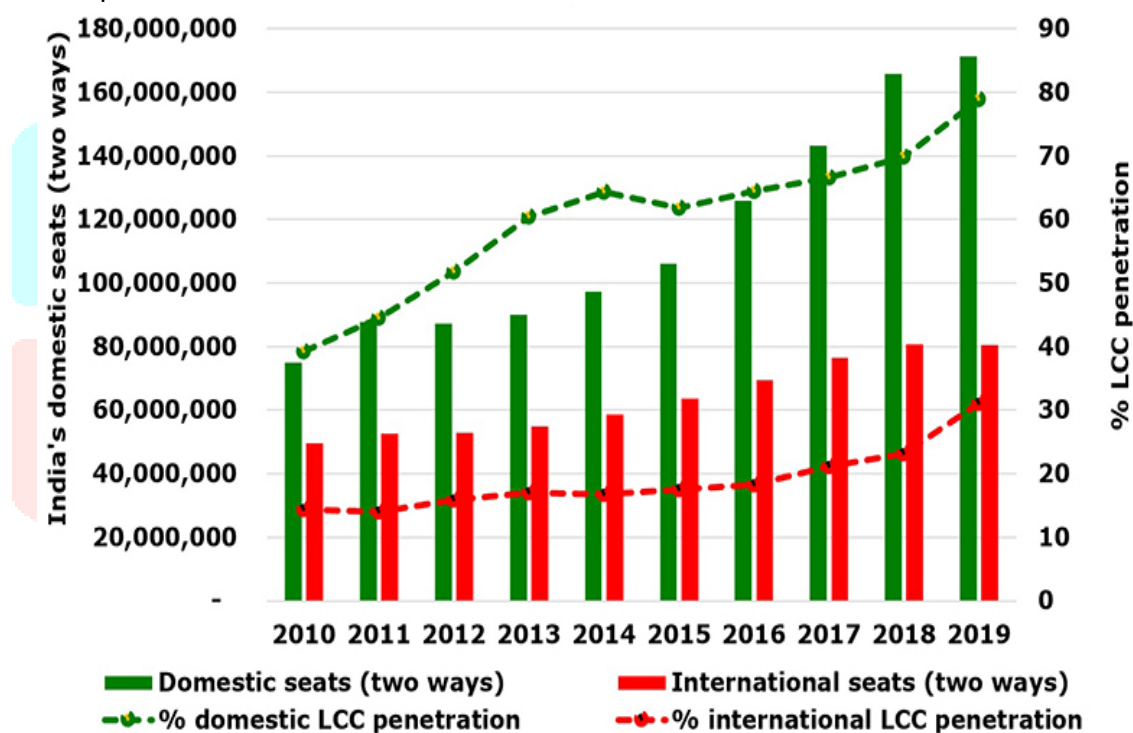


Figure 5 Air Asia Growth In India

6. Vistara

Vistara is an Indian airline operated by the TATA SIA Airline limited, which is a joint venture of Tata Sons and Singapore Airline which was launched in 2015. The initial operation was between Delhi and Bombay after which the airline has carried more than two million passengers by 2016. Vistara is the 6th largest domestic airline which serves twenty-four destinations with a fleet of 24. Class of Travel

Vistara provides three classes configuration; Business Class - Vistara offers Business passengers wide seats with ample space to relax and work. Premium Economy - Vistara's premium economy class offers passengers luxurious seats with legrests and leg space which make travel comfortable. Vistara was the first airline in India to introduce Premium Economy. Baggage allowance Economy class passengers are allowed 10 kg for carry-on and 20 kgs for checked-in luggage.

Frequent Flyer Programme. club vistara allows members to receive points every time they book tickers and can be redeemed for discounts. Vistara has a partnership agreement with Singapore airline which allows Club Vistara members to earn and redeem points with Kris Flyer which is the frequent flyer on Singapore Airlines and SilkAir flights. In-flight Services Vistara does not have in-flight entertainment but provides pre-loaded tablets for business class passengers. Vistara is equipped with BAE Systems Intellij-Cabin in-flight entertainment system which allows beaming content directly to passengers' personal electronic devices through a one-way Wi-Fi connection. Vistara provides passengers with food catered by TajSATS Air Catering which is a joint venture between Tata and a Singaporean company, headed by Chef Arun Batra, formerly the executive chef of the Taj Hotels group. Special meals can be pre-booked 24 hours before departure.

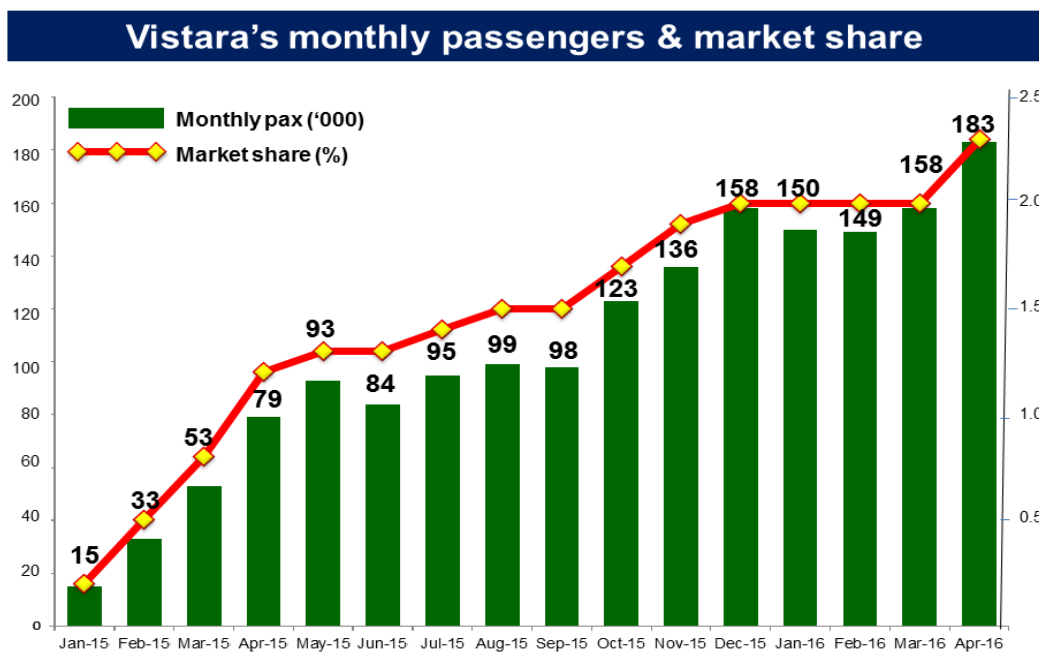


Figure 6 Vistara Growth Chart

7. Alliance Air

"Today, we are further establishing seamless connectivity across entire North-East India by connecting 4 cities with one flight. Under the UDAN scheme, we have connected cities that had no mention on the aviation map of the country. We have already started 60 airports, and 387 routes, out of which 100 routes are awarded in North East alone and 50 are already operational." In 2014, only 6 airports were operational in North East, now we have grown to 15 airports in a short span of 7 years, he said. "In addition to this, under the KRISHI UDAN Yojana, we have identified 16 airports to enhance the export opportunities of the region establishing dual benefits of enhancement of cargo movements and exports.

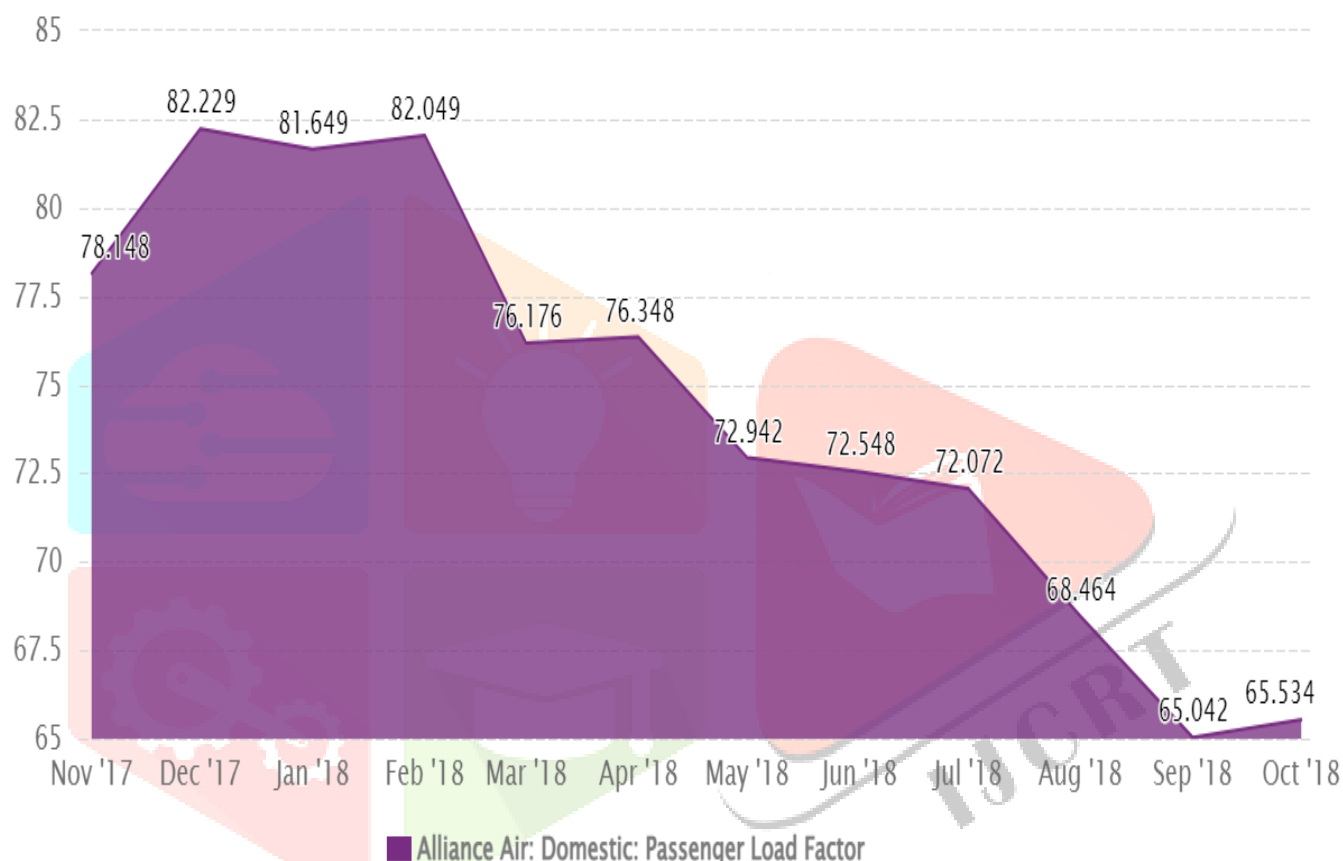


Figure 7 Vistara Growth Chart

8. TruJet

TruJet is an Indian regional low-cost airline which was founded and promoted by entrepreneur Vankayalapati Umesh and actor Ram Charan jointly. The airline has a fleet size of 5 and appeals to the middle-class travellers and pilgrims. TruJet began operations with the first flight from Hyderabad to Tirupati. Travel Class

TruJet is an all-economy class cabin, passengers can make seat selection for a nominal fee. Baggage allowance

Passengers are allowed to carry hand baggage is 7kgs and the checked bag can weigh up to 15 kgs each depending on the cabin and fare type. Passengers can read about excess luggage allowance, special baggage and additional charges. Check-in

Domestic Flights - Passengers can check-in 24 hrs to 2 hrs prior to the scheduled departure time. In-Flight Services

TruJet offers passengers with a buy-on-board menu which consists of snacks, hot/cold beverages. All special meals can be requested 24 hours before departure by contacting the airline directly to know more about the options. Onboard support

TruJet provides assistance to guests with special needs, Infants, expectant mothers, unaccompanied minors and any pre-departure arrangements. Passengers in need of mobility support will be provided with wheelchair services during the flight. Please contact the airline directly for any support requests.

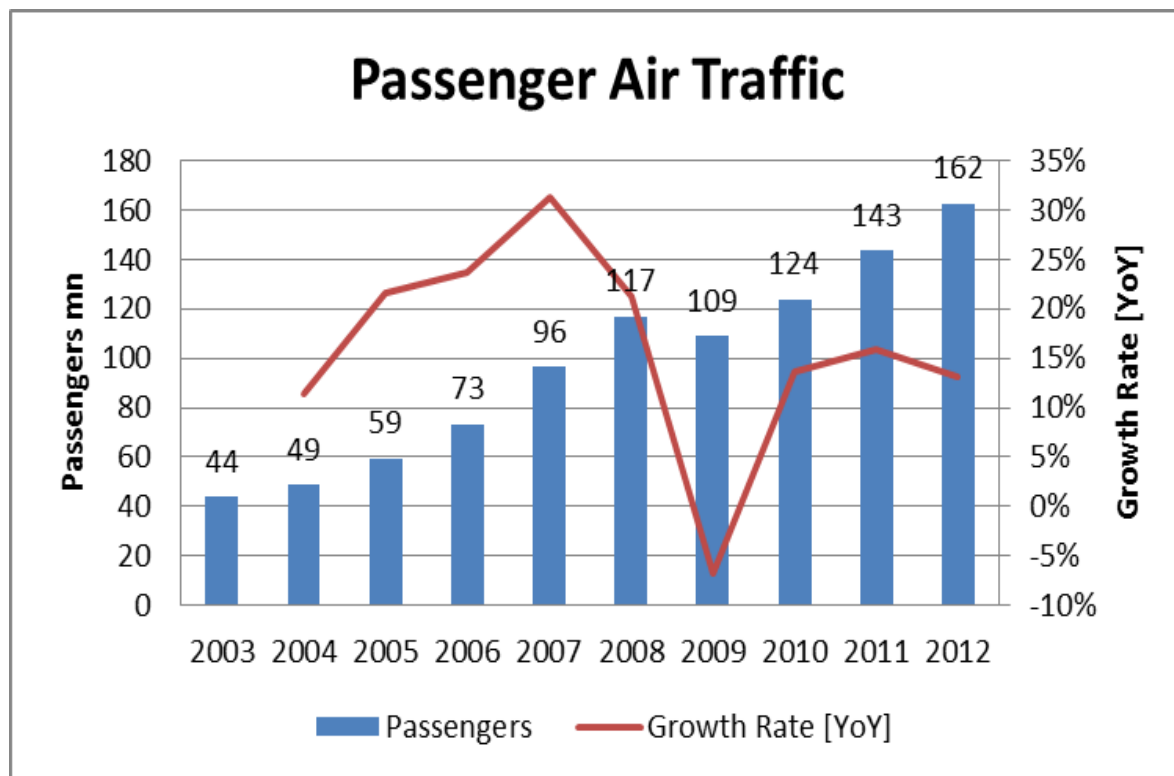


Figure 8 TruJet Growth Graph

9. Qatar Airways

Qatar Airways is the national airline of the State of Qatar and one of the aviation industry's biggest airline carriers. Qatar Airways currently flies to more than 150 destinations on the map every day, with a fleet of the latest-generation aircraft, and an unrivalled level of service from its home and hub, the five-star airport, Hamad International Airport in Doha, Qatar.

➤ Frequent Flyer Program

Privilege Club is Qatar Airways' award-winning flyer program which allows passengers to earn Qmiles and enjoy a range of benefits by flight tickets, cabin upgrades, excess baggage and much more. Privilege Club offers four membership tiers – Burgundy, Silver, Gold and Platinum – each with its own exclusive benefits.

Qmiles are the reward miles earned by Privilege customers while flying with Qatar Airways, one world airlines alliance partners, or other airline partners with Qatar Airways.

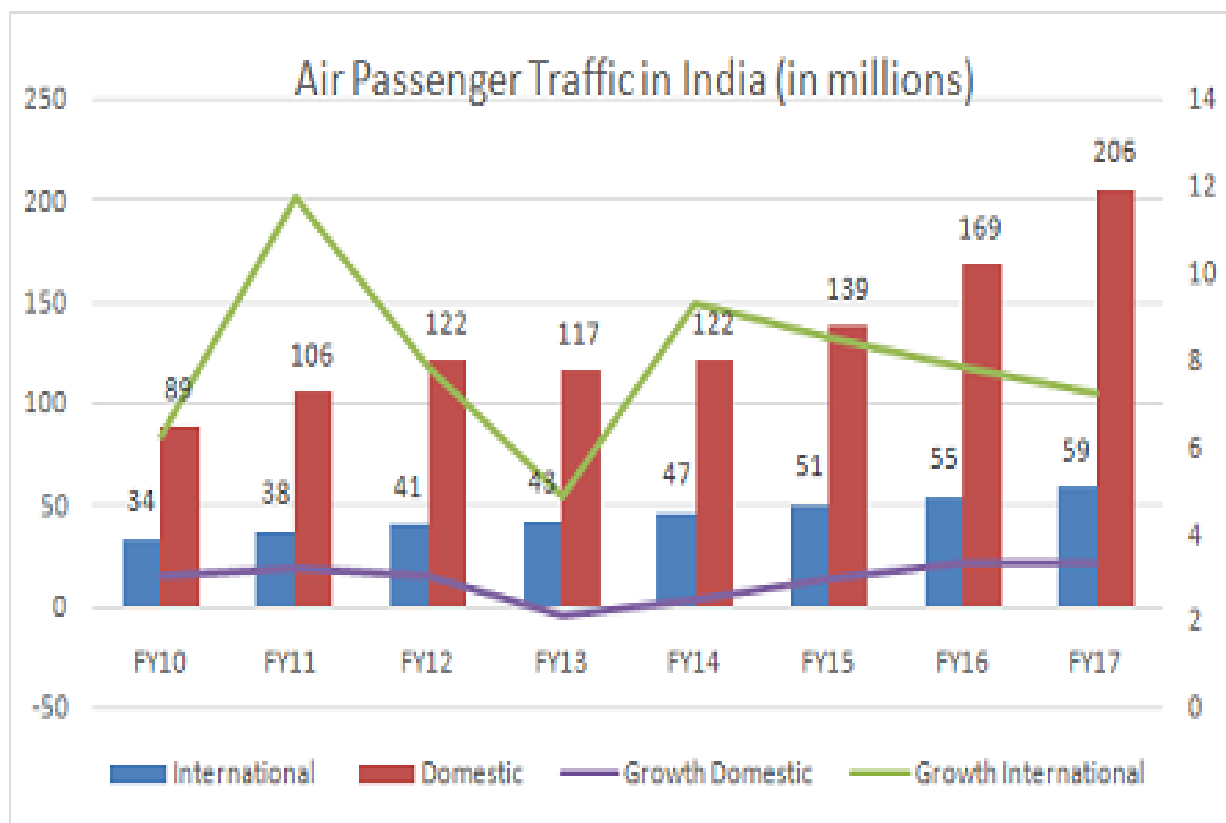


Figure 9 Qatar Airways Growth

10.Saudia

About

Saudia, the flag carrier of Saudi Arabia and previously known as Saudi Arabian Airlines, has emerged as a distinguished global airline over the past 76 years, ever since its inception in 1945. Saudia stands third as one of the largest airlines in the Middle East, preceded by Emirates and Qatar Airways. Saudia, better known as Saudi Airlines, is based in Jeddah, Saudi Arabia where the King Abdelaziz International Airport in Jeddah serves as their main operational base, while the King Khalid International Airport in Riyadh and King Fahd International Airport in Dammam is used as secondary hubs.

History

In 1945, US President Franklin Roosevelt gifted a propeller-driven aircraft, the Douglas DC-3, to King Abdul Aziz Ibn Saud. This historic event marked the Kingdom's gradual development in civil aviation and the establishment of Saudi Airlines.

Initially, the airline primarily carried Hajj pilgrims to Jeddah. Over the decades, new aircraft models replaced the Douglas DC-3s and soon enough, Saudia had begun to fly passengers to several destinations across the globe, with the highest standards of class and safety.

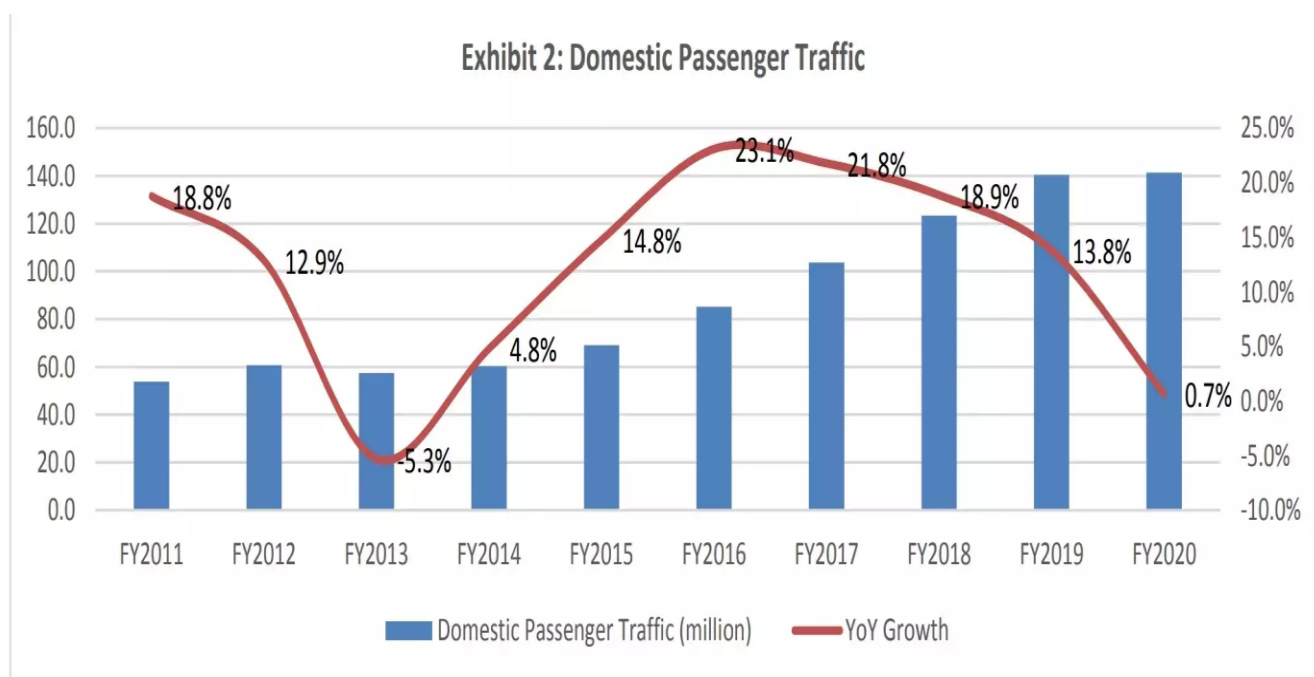


Figure 10 Saudia Growth Graph in India

11. Etihad Airways

About

Etihad Airways is the second largest airline in the UAE headquartered in Khalifa City, Abu Dhabi. Etihad boasts in fleet size of 113 covering over 75 destinations both domestic and international. With Etihad Airways main base in Abu Dhabi International Airport, the airline has carried 14.8 million passengers in 2018. **Alliance**

Arab Air Carriers Organisation is a non-political non-profit organisation in Beirut, Lebanon. The organization was set up upon the recommendation of the Transport Committee of the League of Arab States. With its main goal to promote cooperation, quality and safety standards they offer industry course in various aviation management programs and training in Human Resources which help airlines achieve in their training budgets among the Arab airlines. International Civil Aviation Organization signed an agreement with AACO that the airlines will have 0% growth of their emissions by 2020. Etihad Airways provides assistance for passengers with special needs. Wheelchairs, airport assistance during check in are provided by on ground staff. Passengers can choose a service that best suits their need. Expectant mothers and parents of unaccompanied children can read the regulations and policies before flying here.

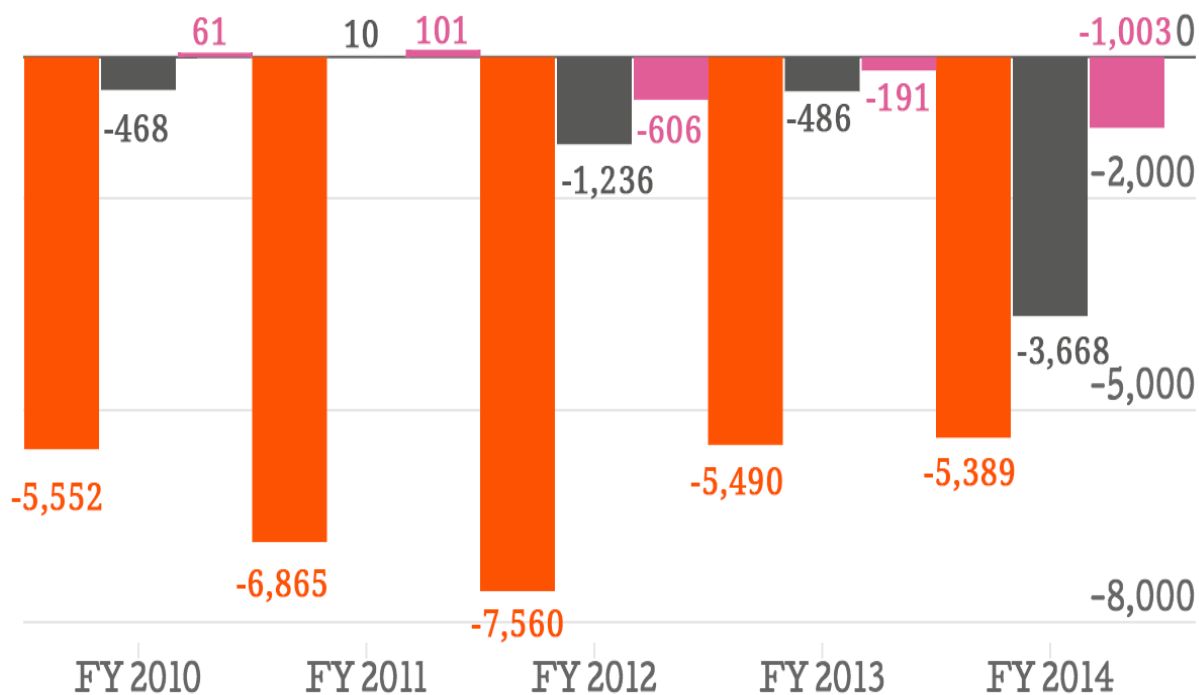


Figure 11 Etihad Airways Growth

12. Air Arabia

About

AirArabia, the first low-fare airline in the Middle East is headquartered in the A1 Building Sharjah Freight centre, Sharjah International Airport provides services to over 170 destinations across the globe. AirArabia ventures jointly into three international bases; Egypt, Jordan, Morocco, and Nepal. **Alliance Arab Air Carriers Organisation** is a non-political non-profit organisation in Beirut, Lebanon. The organization was set up upon the recommendation of the Transport Committee of the League of Arab States. With its main goal to promote cooperation, quality and safety standards they offer industry course in various aviation management programs and training in Human Resources which help airlines achieve in their training budgets among the Arab airlines. International Civil Aviation Organization signed an agreement with AACO that the airlines will have 0% growth of their emissions by 2020. **Awards** Air Arabia has many awards under its wing, some of them being "Corporate Social Responsibility Award" at the 2012 Aviation Business Awards, "Low-Cost Carrier of the Year" at the 2013 Aviation Business Awards, "Best Low-Cost Airline" at the World Tourism Forum 2015 in Istanbul, Turkey and was ranked first for punctuality at Moscow airport in 2012.

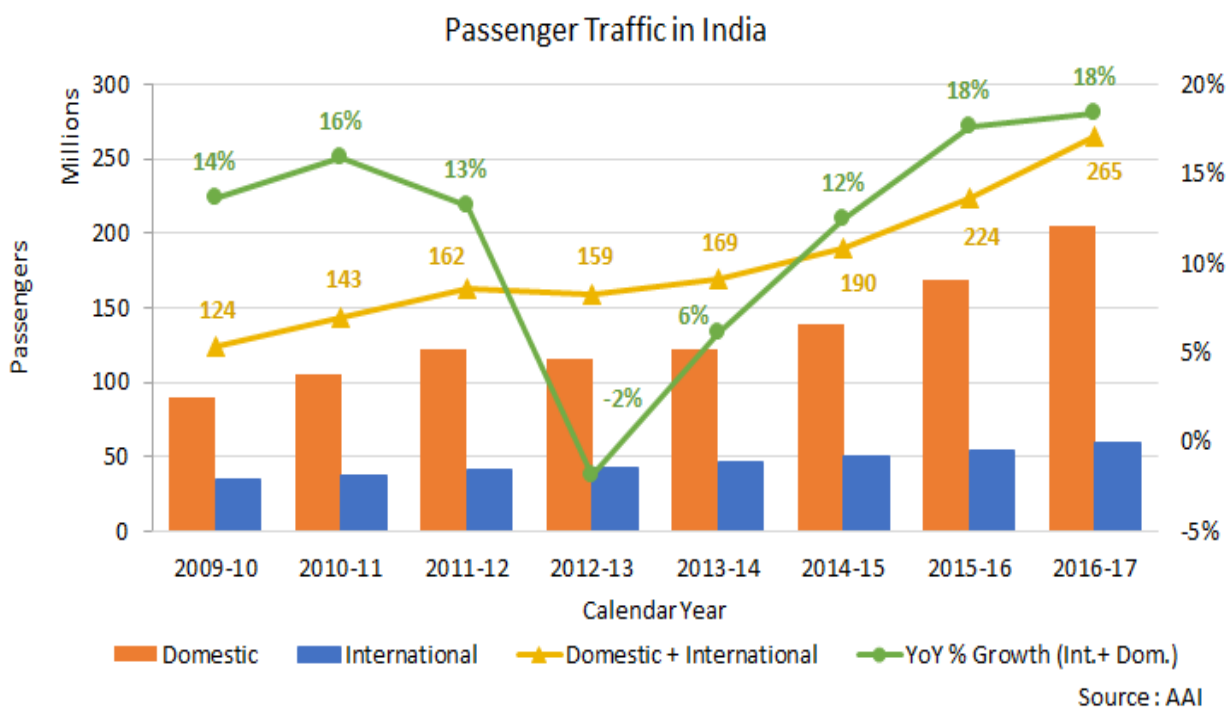
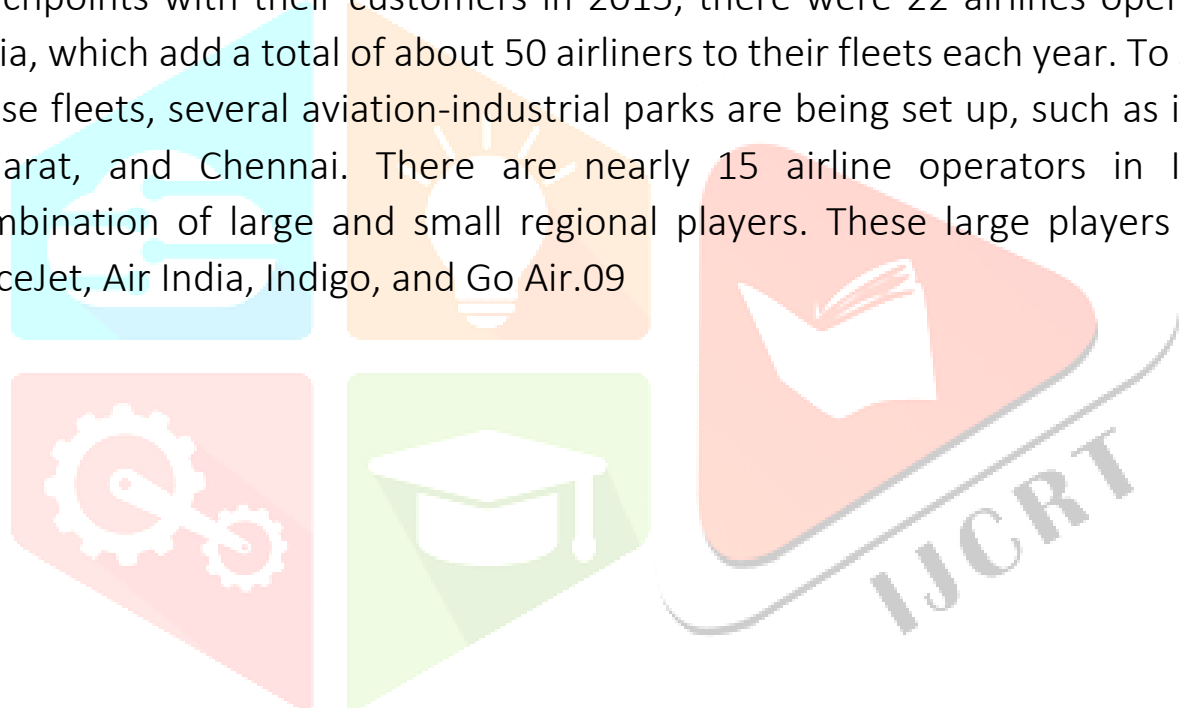


Figure 12 Air Arabia Domestic Growth

CONCLUSION:

With middle-class people taking to the skies against the backdrop of economical air fares, the Indian aviation market has grown at an average rate of 16 percent over the last decade (with FY 2017 recording 22% growth). The air transport industry, including airlines and its supply chain, are estimated to support US \$13 billion of GDP in India. Spending by foreign tourists supports a further US \$22 billion of the country's GDP, totalling to US \$35 billion. Contactless technologies help airlines streamline routine tasks, which provides better customer service. Overall, the biggest airline industry trends in 2021 are geared towards improving the user experience and making traveller's feel confident. Airlines have multiple touchpoints with their customers in 2015, there were 22 airlines operating in India, which add a total of about 50 airliners to their fleets each year. To support these fleets, several aviation-industrial parks are being set up, such as in Hisar, Gujarat, and Chennai. There are nearly 15 airline operators in India, a combination of large and small regional players. These large players include SpiceJet, Air India, Indigo, and Go Air.09



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