

## **OPPORTUNITIES AND CHALLENGES- A REVIEW OF INDIAN AVIATION INDUSTRY GROWTH**

**Manoj Gupta\***,

**Prof. (Dr.) Chavi Bhargava Sharma\*\***

**Prof. (Dr.) Narain Gupta\*\*\***

---

### Abstract

---

***Keywords:***

*Aviation,  
trends,  
globalization,  
landscape.*

This paper aims to understand the role of Aviation and the changing trends in this era of globalization with evolving aspirations and changing socio-economic landscape. The industry per se has witnessed an encouraging trend and has a great potential. This presents before us a vast opportunity as affirmed by GOI, MOCA projection of mammoth 300 million tickets sale. This projection is a quantum jump from the present 70 million domestic tickets as sold in 2014-15. The research reviews the reported literature in last 3 decades, and comprehends the important areas of research in Indian aviation industry.

---

***Author correspondence:***

Manoj Gupta  
Research Scholar, Faculty of Management Studies  
Manav Rachna International University, Faridabad, Haryana  
Email: manojg2k@yahoo.com

---

Research Scholar\*, MRIU, Faridabad, [manojg2k@yahoo.com](mailto:manojg2k@yahoo.com)

Dean\*\* FMS, MRIU, Faridabad, [dean.fms@mriu.edu.in](mailto:dean.fms@mriu.edu.in)

Associate Professor\*\*\*, MDI, Gurgaon, [narain.gupta@mdi.ac.in](mailto:narain.gupta@mdi.ac.in)

## Indian Aviation Industry-Situation Analysis

The aviation industry in India is passing through a great evolutionary surge. On one hand, the blessing in disguise of the burgeoning population and on the other is the era of globalization. This puts the industry at an advantage of a potential aspiring consumer base. In the context of famous metaphor “the world is flat” by Free Markets advocate Friedman (2005), the historical boundaries are being defied and the commerce and trade is becoming more and more a level playing field.

India as a nation has a history of regulatory regime (Sivadasan, 2006). Post-independence, the Nehruvian economy model, advocated the creation of the public sector. The driving ideology was to move from the state of underdevelopment to self-sustaining growth (Dantwala, 1964). More than the operational excellence, strategic planning, and innovation, the focus was a socialist approach. In fact, the word socialist was officially added to the Preamble of the Indian Constitution by the 42nd amendment act of 1976, during the Emergency. All this was coupled with labor oriented heavy industries and agrarian economy (5 year plans-1<sup>st</sup> to 5<sup>th</sup>, Planning commission). With the advent of technology and liberalization of the economy (8<sup>th</sup>, 5 year plan), aspirations of the Indian youth grew from mere physiological needs. Desire for a safety net, fulfillment of social needs and dreams led to “Maslow’s need hierarchy” pyramid’s natural evolution.

Consequently, state owned Indian airline, which had monopoly in domestic circuit (Krishnan, 2008) thus, remained insulated to the demand and supply dynamics. The international travel was subjected to bilateral traffic rights restrictions. Barriers to entry of international airlines, severe visa curbs, immigration clearance requirements, and foreign exchange restrictions were the norm (Nathan Economic Consulting India, 2012). Aviation in India wore an elitist tag. The custom duty was prohibitive and custom allowances were pittance. Slowly, the winds of change emerged and the year 1991 saw the emergence of Archana airways followed by East-West airline. In 1993 Modiluft, Damania, NEPC airlines etc took flight. This was the trend setting opportunity for Indian aviation and people for the first time got a flavor of choice and differential services.

In 1991, the economic reforms were initiated, which made the Rupee partially convertible under “liberalized Exchange Rate Management” (Acharyya, 1994). This led to furtherance of the cause of business expansion. Foreign trade, global connect, outsourcing effectively had an impetus on the aviation passenger and cargo business. The Indian aviation has witnessed a growth period especially effective year 2003. This growth was attributed to further liberalization by the Indian Government when Air Deccan was born. Since then there has been a steady evolution and liberalization of air space and various regulations (IATA, 2009).

This is reflected in the growth of domestic passenger traffic at a CAGR of 19.4% between FY2004 and FY2010 (Inter globe-Indigo, IPO note, 2015). Despite the global meltdown and financial crisis worldwide, Indian aviation –domestic passenger traffic in FY15 grew at a healthy rate of 9.1% CAGR according to DGCA data. Further as per CAPA and IATA, the Indian aviation is forecast to grow at an accelerated pace. However, it is further argued across the verticals, contexts and industries that past legacy cannot contain the sustainability of business perpetually. In this context, a well known practitioner, strategist, author and academician Taneja (2014) puts forth emphatically that no longer can the airlines expect to continue to do business as usual by focusing mostly on operations and products and relying on marginally superior products.

## Review of Existing Literature

The research by Adey & Lin (2014) suggest that we can anticipate a further emergent area of social and cultural geographies of air transport. However, a visible extension of this study would be to explore the influence of such socio cultural and even economic factors on aviation growth.

A study by Debagge (2014) discusses about the liberalization of air space and the open market mechanism in the light of globalization and liberal versus protectionist philosophy, yet falls short of suggesting any roadmap or possible solutions to overcome. The opportunity to assess the impact on aviation growth is a compelling motivation.

Looking at the role of airports and infrastructure in particular, a study is reported by Gramh & Ison (2014). The study deals with the patterns of airport traffic, both passenger and cargo and the complexities involved in bringing together these activities. It states the opportunity of looking at what drives the infrastructure in aviation, especially in the context of India.

In his latest book Nawal(2014), suggests positioning on the customization spectrum of customer centricity and personalization to provide differentiated and valued experiences. This opens an exciting opportunity for the researcher to look at customization of services as a driver of growth of aviation and evaluate its influence on Indian aviation. Similarly, Ayhan etal (2013) emphasizes a hurrying need to adapt & address data analytics, data mining concerns and issues for its predictive ability. Thereby, providing an opportunity to gauge its relevance and adaptability to Indian aviation.

A report of working group on civil aviation sector (2012) highlights the role of Air Transport in the economy. It suggests that air transport has contributed to the rapid growth in India's international trade and aviation industry promotes employment and contributes to GDP of India (0.5% in year 2009). However, the unanswered question remains if and how do these factors like GDP/per capita income or employment and trade influence the growth of aviation and aviation industry? Similarly, air ticket purchasing decisions are increasingly impacted by technology and are driven by Internet commerce (Muller, 2014). This, yet again inspires one to look at the Indian context, as well as to understand the impact on cargo business. Social media and the marketing connect (NIIT, 2012) encourages one to probe the pattern as a growth driver.

Similarly looking ahead in a reference: "E R E A (2012)-vision for the future", places emphasis on the public interest through a series of constraints and regulations. These constraints are primarily in terms of energy, environment and technology. This highlights the role of policy making, governmental participation and need for effective regulators. Warford (1971) emphasizes that the role that power, values and interest plays in tourism policy and tourism research requires far greater attention than has hitherto been the case. The effect of these constraints and policy making on aviation growth remains a subject matter of probing.

Besides, Forsyth, (2007), Findlay and Goldstein (2004), Appelbaum and Fewster (2004), Button, Costa etal (2005), Coglianesse, etal (2010), Kasarda, etal (2005), Abate (2013), Brons, etal (2002) and Gillen, etal (2005) and various industry forum papers and reports by IATA, ICAO and chambers of commerce, have reflected their views and assessments. Their review has affirmed the need for an ongoing reflective process and need for further India centric research. In brief, there is a strong case for continuous research in this field of Indian aviation and its relevance in present times.

### **Future Research Directions**

The literature and trends across industries point towards great challenge in terms of evolving technology, social media and of course the digital platforms. The mobile and internet usage has witnessed a humungous growth and the new distribution channels and e-platforms are a big competitive force to traditional routes of sales and engagement. The country is on a curve of literacy and infrastructure development has now penetrated into smaller cities. The per capita income affordability is on the surge. The impetus by "Make in India" and "Startup India" has certainly added a momentum to potential growth of aviation. Porter's 5 Forces, when extended to include the supplementors and complementors approach too, present a new twist to the future of aviation strategy. Declining fuel prices present another opportunity as well as a risk, to a competitive, affordable growing product. When one analyses the industry environment in the context of PESTLE factors, (Collins, 2010), it encourages one to move towards a better operating environment and role of government in the liberalized and competitive regime. The environmental concerns, security and aviation regulatory issues pose a risk to the trajectory.

Hence, through these identified research opportunities, the study seeks to critically evaluate the different driving factors individually, and further through this study, we intend to explore the importance of these factors—their significance and priority. The focus is on how to create a futuristic, efficient and robust airline business.

Thus, the study aims at providing important insights to the Indian aviation industry in order to understand the growth dynamics and required measures to practitioners and policy makers.

### **References:**

- Abate, M. A. (2013, October). Economic Effects of Air Transport Liberalization in Africa. In African Economic Conference, Johannesburg South Africa
- Acharyya, R. (1994) Liberalized Exchange Rate Management System and Devaluation in India: Trade Balance Effect, Journal of Economic Integration.

- Adey Peter & Lin Weiqiang (2014), *Social and Cultural Geographies of Air Transport*. The Geographies of Air Transport. Ashgate Publishing, Ltd.
- Appelbaum, S. H., & Fewster, B. M. (2004). Safety and customer service: contemporary practices in diversity, organizational development and training and development in the global civil aviation industry. *Management Research News*, 27(10), 1-26.
- Ayhan, S., Pesce, J., Comitz, P., Sweet, D., Bliesner, S., & Gerberick, G. (2013, April). Predictive analytics with aviation big data. In *Integrated Communications, Navigation and Surveillance Conference (ICNS)*, 2013 (pp. 1-13). IEEE.
- Brons, M., Pels, E., Nijkamp, P., & Rietveld, P. (2002). Price elasticity of demand for passenger air travel: a meta-analysis. *Journal of Air Transport Management*, 8(3), 165-175. Gillen, D., & Morrison, W. G. (2005). Regulation, competition and network evolution in aviation. *Journal of Air Transport Management*, 11(3), 161-174.
- Button, K., Costa, A., & Reis, V. (2005). How to control airline routes from the supply side: the case of TAP. *Journal of Air Transportation*, 10(3), 50. Coglianesi, C., Zeckhauser, R. J., & Parson, E. T. A. (2010). Seeking truth for power: Informational strategy and regulatory policy making.
- Collins, Rob (2010) *A Graphical Method for Exploring the Business Environment*
- Dantwala, M. L., (1964), "Economic Ideology of Jawaharlal Nehru", *Economic and Political Weekly*, July
- Debagge. G. Keith (2014), *The Geopolitics of Air Transport*. The Geographies of Air Transport. Ashgate Publishing, Ltd.
- EREA: From air transport system 2050 vision to planning for research and innovation, European research establishment association, Brussels. [www.erea.org, http://s144928.gridserver.com/wordpress/wp-content/uploads/2012/07/EREA-ATS2-Booklet-red.pdf](http://s144928.gridserver.com/wordpress/wp-content/uploads/2012/07/EREA-ATS2-Booklet-red.pdf) (2012). (Accessed 13 October, 2015)
- Findlay, C., & Goldstein, A. (2004). Liberalization and foreign direct investment in Asian transport systems: the case of aviation. *Asian Development Review*, 21, 37-65.
- Forsyth, P. (2007). The impacts of emerging aviation trends on airport infrastructure. *Journal of Air Transport Management*, 13(1), 45-52.
- Friedman, T. (2005). *The world is flat: A brief history of the globalized world in the 21st century*. London: Allen Lane, 393-395.
- Graham Anne & Ison Stephan (2014) *the role of Airports in Air Transport*. The Geographies of Air Transport. Ashgate Publishing, Ltd.
- IATA report on *The Impact of International Air Service Liberalization on India* (2009)
- Inter globe-Indigo, IPO note, (2015)
- Kasarda, J. D., & Green, J. D. (2005). Air cargo as an economic development engine: A note on opportunities and constraints. *Journal of Air Transport Management*, 11(6), 459-462
- Krishnan, Rishikesh T. "The Indian Airline Industry in 2008," Case Study, July 2008. Nathan Economic Consulting India, (2012) *Impact of Regulations on Competition in India's Civil Aviation Sector, 2011-2012*
- Maslow, A.H. (1976). *Self-actualization psychology*. Personality and Personal Growth. New York: Harper Collins.
- Muller, CEO Air Lingus, (2014), in Taneja, N.K. (2014) *Designing Future-oriented Airline Businesses*. Ashgate Publishing, Ltd.
- NIIT white paper-*Mobility in Airlines*, 2012