

# Post COVID Revival Strategies for Indian Aviation Sector: An Empirical Study

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## Abstract

Impact of COVID 19 has been devastating on each and every sector of the global economy in general and Indian economy in particular. Even the most flourished economies across the globe has put in place restrictions like lockdowns, confinements etc. in order to contain virus spread and control the fatalities. One of the hardest hit sector of Indian economy is the aviation sector as there was no choice other than indefinite suspension of air passenger's traffic at the domestic and international level. Travel ban however, is temporary and has reduced the mobility in short run but it will have a permanent affect in the end as many may lose their jobs forever. Socio economic impact will be long lasting in terms of reduced flights, limited travel destinations, and underutilization of the carriers in order to maintain social distancing, changes in behaviour pattern of the travellers. As per an estimate revealed by Economic Times, aviation sector alone has suffered losses of Rs.25, 000 crore due to this global pandemic. The revival of the sector will depend on how fast the industry gains confidence of the passengers for air travel and the state interventions at large.. This study intends to highlight the impact of COVID 19 on the Indian aviation sector with reference to air passenger's traffic and changing consumer perception regarding future air travel. This is primarily an empirical research in which data have been collected through a online survey from 104 respondents and for descriptive part secondary data have also been used to analyse the impact of COVID 19 on the aviation sector. It has been found in the survey that 44% of the respondents would postpone their air travel for about six months or so. Last section of the paper consists of measures taken by the government. and policy recommendations as some of the revival measures based on consumer sentiments and industry experts. Consumers expect that airlines should continue with the affordable pricing in order to regenerate the demand and should ensure the maintenance of social distancing norms. Consumers also have expectations from the government to come to the rescue of this vital industry to save this industry itself as well tourism. We hope these primary results will help policymakers to design exit strategies for the revival of the sector to combat this global crisis.

Keywords: Underutilization, Air Passenger traffic, Containment, Revival, Exit Strategies.

## Introduction

The global pandemic COVID-19 has created a wave of uncertainty and

fear of fatalities and infection on the humans and unprecedented restrictions on the industry. It has affected negatively all the stakeholders in the society. Amidst all bans, travel restrictions have reduced the mobility of masses across the globe that has propelled the negative impacts on numerous industries. Transport industry whether rail, road or air have been a hard hit especially as air travel continues to higher cancellations and capacity reductions in order to follow the norms of social distancing. More so it is not sure up to when these restrictions on social distancing and travel will prevail at the national and international levels as forecasted by the medical scientists, virus is going to stay up to 2 years or until the vaccine is tested.

All the nations are trying to contain and mitigate the virus spread by imposing various restrictions in order to save both the lives and the livelihoods. Historically airline industry has always been a hardest hit during global crises whether it was 9/11 in 2001 or the SARS in 2003. It always struggled to survive from oil embargo to weather storms. 9/11 and SARS attack pushed back the industry to a level that took years to reach back at the same level prior to these events. It is estimated that impact of COVID-19 is worse than the 9/11 attack and SARS outbreak and may take the indefinite period to return to pre COVID levels for demand to scale up and the capacity to enhance. This paper will discuss the overall impact of COVID -19 on the Indian aviation sector due to restrictions on all type of air travel. In the second section of the study, results of empirical survey based on consumer perception will be analysed. Last section includes measures taken by the government and further recommendations for the revival of the sector.

### Review of Literature

A study by Eichonbaum et al. (2020) found an interrelation between pandemics and economic dynamics. As per their model, containment policies should be promoted to reduce consumption and work in order to reduce the deaths in pandemics. However, these policies affect the economy negatively and account for the worsened recessions consequent there on...

Atkeson (2020) concludes that social distancing and economic trade-offs may last up to 18 months due to the spread pattern of COVID-19. However, all these are estimates and actual socio economic impacts are still counting on.

Joseph B. Sobieralski (May 2020) highlights the interplay and responsiveness of economy and industry variables when exposed to these type of disasters. Available Seat Miles declines and may continue for years. 9/11 caused disruption in air traffic throughout U.S. but COVID-19 has

caused a reduction in capacity and demand across the globe. This study analyses the impact of these type of disruptions on the airline employment and various strategic models adopted worldwide to come out of the shocks.

In a survey conducted by CII (Confederation of Indian Industry, June 2020) it has been found that 63% of people are gearing up for travel within three months but only 1.4% prefer international travel. Hygiene standard would be the single marker to decide the place of stay after travel. 59% of the respondents preferred to use protective gears while only 20% given their preference for Aarogya Setu App. 7% said that they would wait for a year to travel. COVID 19 will certainly change the perception of travellers. People will not be travelling for the same cause and with the same frequency.

**Research Gap:** Although various studies have been conducted on Indian aviation sector prior to corona spread but we have not come across any study except CII research based on empirical data on consumer perception during lockdown period in India. That prompted us to undertake this study to have deeper insight of a particular industry which has been affected badly by the pandemic.

### Objectives:

- To know the impact of COVID -19 on the aviation sector
- To know the changes in consumer perception about the sector
- To highlight the immediate measures taken by the Government of India
- To recommend the revival strategies for Indian Aviation sector

### Research Methodology:

This study is empirical and descriptive in nature. Empirical data have been collected to know the changing consumer perception about air travel and for descriptive analysis secondary data have been used to cite the status of aviation sector and impact of COVID -19. Various published reports and official websites have been referred to collect information.

**Data Collection:** Primary data have been collected from 104 respondents across the country during lockdown. Purposive sampling has been applied to collect responses through a structured questionnaire. Responses have been sought from the Indian nationals who either travel or have travelled by air in past few years.

**Statistical tools:** Data have been analysed by using simple percentage and frequency distribution methods. Pie charts and bar diagrams have been used for further analysis of

data.

Scope of the study: Although there have been various modes of transport ranging through road to sea but scope of our study is limited to only air transport services. Other modes of transport have not been considered in the study. As far as the time of the study is concerned, it is related with the lockdown period only.

Limitations: The study confines to only air passengers, freight traffic has not been taken into account to know the impact of COVID-19. Due to time constraint, we could not extend the sample size beyond 104. The results and analysis is purely based on the responses given by the respondents.

**Impact of COVID 19**

Civil aviation industry has scaled up as one of the fastest growing industry in the country in the last three years and has become third largest domestic aviation market in the world. It is expected to overtake UK to become third largest air passenger market by 2024. Position of aviation industry w.r.t. passenger and freight traffic until Jan 2020 at domestic and international levels. It was working as an enabler, catalyst and contributory in the global economic activities. However, COVID-19 has stalled everything. Air transport has been accused of spreading the virus worldwide whereas it was itself found a victim lately. In the absence of demand, 95% of commercial aeroplanes remain grounded since the declaration of pandemic.

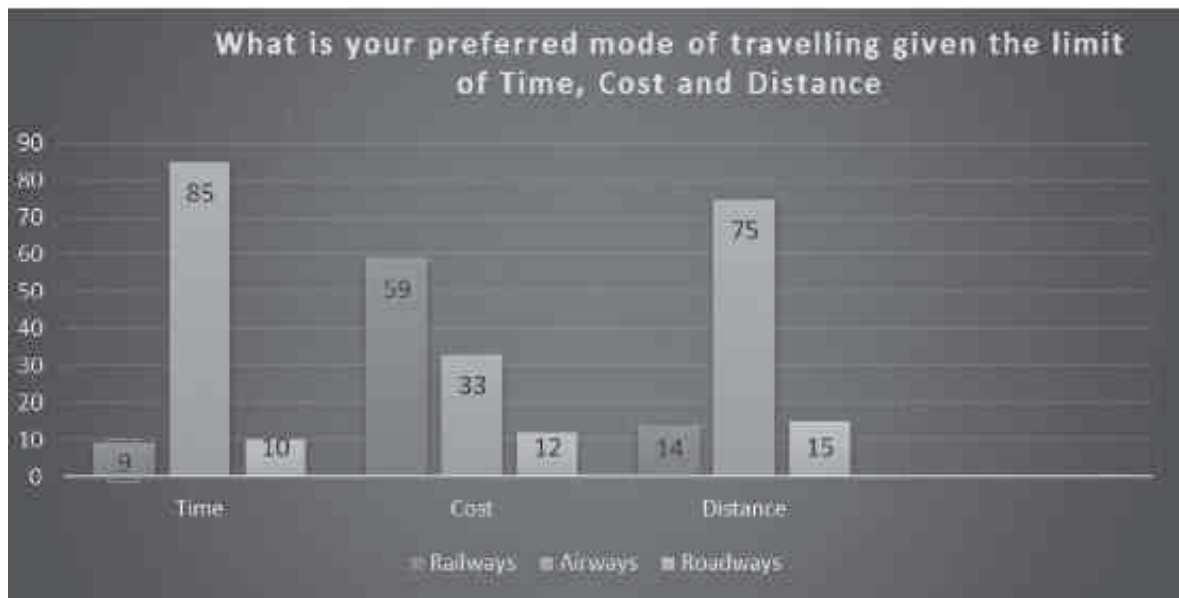
Airlines have a regular loan or lease liability. Even in the good days, it is hard to service these EMI's or lease rentals with the earnings, Covid-19 has made it worse as a few airlines are shutting down while others are returning their planes to the lessors. Plane manufacturers are facing request for the cancellation of their purchase orders.

According to Indian Aviation industry Report projections 2% decline in international passenger traffic was anticipated in the month of Feb 2020 when spread of corona was slow but soon after declaration of pandemic, these projections rose to a whopping 27% in March with the suspension of all the international and domestic flights from 24th March 2020. This suspension had a great bearing on the losses of Aviation industry as the sector contributes \$35 billion to the national GDP and in the present situation; this sector alone is going to suffer a loss of \$1.5billion -\$2.5 billion. Ironically, when there is a sharp decline in crude oil prices some invisible factor crippled the industry when it could have seen a phenomenal growth.

**Analysis and Discussion:**

As a matter of records, this industry contributes \$35 billion to India's GDP and generates 1.3 million jobs annually. Suspension of this sector will cause a misery to the economy. Hence, it deserves a serious attention. Hence, an empirical survey about consumer perception about future travel plan has been conducted and results were sought and depicted through the discussion given below

Figure 1:



Source: Primary data

Figure1 reveals that if there is a time constraint (85) persons prefer to travel by air, and if cost is considered then railways is the most preferred option as (59) persons responded in favour of railways, which shows that air travel is still not affordable but is preferred only to save the time.

While if the place is distant then cost is, ignored and (75) persons opt for air travel. Overall trend shows a positive outlook towards air travel as both time and distance have become major factors to decide the mode of transport.

Figure2:



Source: Primary data

Figure 2 depicts that majority (58.7%) of the air travel is for vacations and leisure and secondly 52.9% people travel by

air for the official purpose. Family meetings got third place to travel by air. Students percentage still low for air travel.

Figure3:



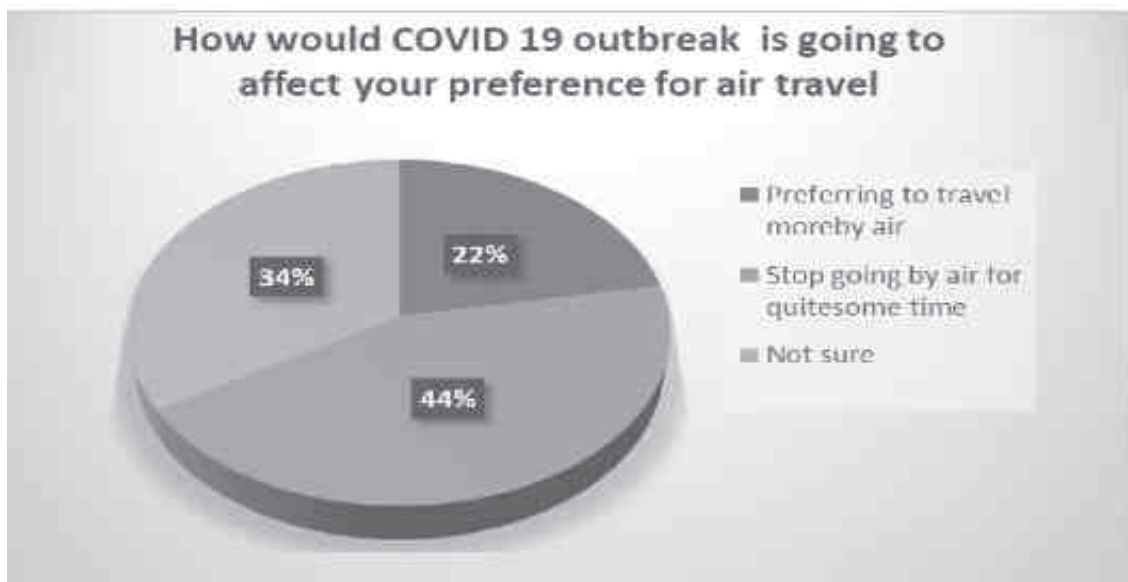
Source: Primary Data

**Source: Primary Data**

In the above figure 3, the motivating factors for air travel have been revealed. Majority (96.2%) of the respondents said the time saving got first ranking while travelling and

44.2% attributed better connectivity to their preference for air travel at the second rank. However on the safety part people were found little precarious. Luxury and cleanliness are also motivating factors for air travel.

**Figure 4**

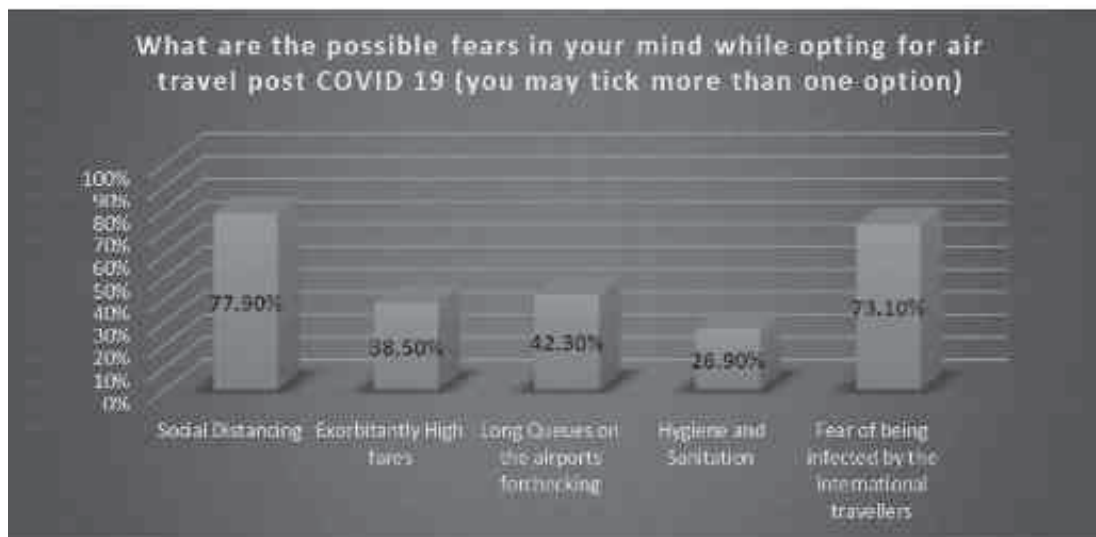


**Source: Primary Data**

When asked about the impact of COVID 19 over their future travel plans 44% replied to suspend air travel for quite some time. Whereas 34% respondents are not sure about their decision for travelling. 22% rather found it

either indispensable or consider it a safe option to travel by air. It is an indication towards challenging times for the airlines. Regenerating the people's confidence towards travelling should be the focus of aviation industry.

**Figure 5**



**Source: Primary data**



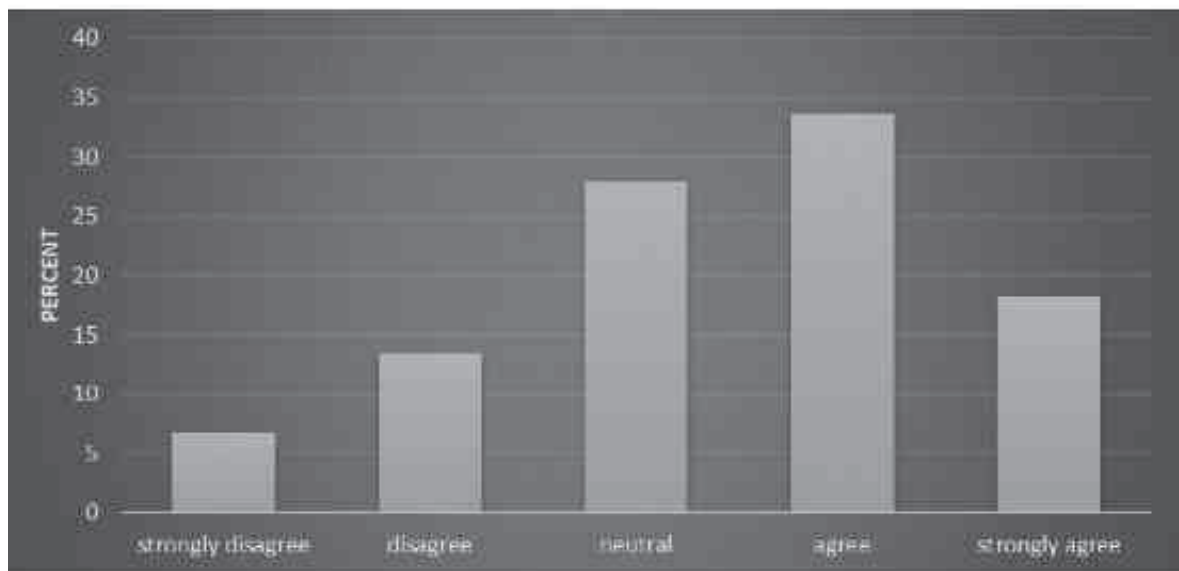
When asked about the probable fears in their mind while air travel 77.9% feared of violation of social distancing norms and 73.1% feared of being infected by the international travellers. 38.5% respondents felt that they would be exploited by airlines by charging high prices on the same route.

To know the consumer perception about the impact of COVID19 on their future travel plans by air and on the revival strategies to be adopted by aviation authorities, five statements have been designed on 5-point scale, which has been depicted with the frequency distribution table and chart given below.

### Frequency Distribution -

	<i>frequency</i>	<i>percent</i>
strongly disagree	7	6.7
disagree	14	13.5
neutral	29	27.9
agree	35	33.7
strongly agree	19	18.3
	104	100.0

Figure 6:



Source: Primary data.

Figure 6 reveals that 33.7 % Respondents were found agreed to all the statements viz high prices for business class in the short run, choosing other modes of transport, abiding all the instructions to prevent infection, postponing the travel plans and deployment of artificial intelligence by the airlines. Whereas 27.9% of the respondents are not sure about these future course of action 18.3% stood strongly agree with the statements.

From the above analysis and discussion it is clear that

people would be apprehensive about travelling to distant places and for the industry it would be a difficult task to regain the confidence of passengers. Every challenge brings along opportunities with it so the industry must churn out and find the hidden opportunities to survive, sustain and succeed.

#### **Immediate Measures taken by the Government:**

Domestic flights have been resumed on limited routes with 30%capacity and with a capped fare upto the month of

August 2020. However, it has been assured by the airlines that all the norms of social distancing and sanitisation will be put in place before a passenger check in. Earlier it was decided to keep the middle seat vacant but it has been experienced from Vande Bharat flights that even keeping middle seat vacant also do not satisfy the social distancing norms. Now flights will be carrying the full load as per the demand.

This has not turned out to be a major relief as the demand is low and the constraints are sky high. Demand for commercial airlines is not likely to revive due to impact of COVID 19 on leisure travel and facilitation by the technology for working from remote for the corporates. Government move of capping the airfares will also affect the profitability negatively as airlines would not be able to recover fixed costs. Economic Times Analyst says that airlines will be catering to the stranded passengers at least for the first 15 days and as soon as this phenomenon is over there will be a demand slump on account of three factors viz. curtailed leisure travel, videoconferencing, digital application and reduction in business travel because of frequent use of webinars for communication and additional cost of quarantine for 14 days. In this complete deal PBT (profits before taxes) of airlines would not exceed 0.2% and the sector will incur a net loss of Rs.75-90 crore a day. So now it's a break even challenge. So a demand push strategy is the need of the hour to come out of break even.

Secondly Government has launched Vande Bharat and charter planes by Air India for those Indians and foreign nationals who have been stranded in other countries and wanting to reach back. Website glitches, high fares which are twice of normal fares are causing lot of panic among people stuck in other countries. It has been analysed that customers are unhappy with the monopoly of Air India as it is not offering services as pure repatriation flight but earning revenue too. No other airline except charters allowed to fly.

#### **Revival strategies and policy Recommendations:**

- Immediate relief could have been sought by starting domestic flights but in the absence of demand and the willingness of people to fly or their confidence for travelling through any of the mode of transport has put the plans on break even. So the operation should be left open on market forces. International flight resumption may take a month or so as USA and Europe are still under the outbreak of COVID-19 so a challenging time ahead for the aviation sector. So far, no bailout package has been announced for this sector like other countries such as USA, UK, Italy, Malaysia etc.
- To overcome the liquidity and cash crunch a bailout

package like UK and US could be offered and considered as a term loan to be paid in future as and when normalcy returns.

- Fuel cost accounts for 32.4% in the cost structure of Indian Aviation as per a report. Price of ATF would reduce if the same is covered in the 18% bracket under GST and no additional surcharge is levied. Airlines will be entitled to input tax credit, which would lower down the fuel cost, and a part of it will be passed to the consumer in terms of reduced ticket prices.
- Government can put all the airlines under UDAN scheme for a year in which a part of operating cost is born by the government. As during 2019 under RCS-UDAN (Ude Desh ka Aam Nagrik) scheme approximately 34, 74,000 passengers flown on 335 routes which can be continued further. This scheme was earlier limited to limited airlines on selected routes with limited seats. Now Govt can expand its scope o all airlines , on most travelled routes and with enhanced seats to boost up the demand at low fares.
- In order to safeguard aviation staff from lay off they can be put on remuneration based on the percentage of revenue instead of a fixed salary or pay cuts. Instead of retrenchment of pilots and other cabin, staff may be assigned duties on alternate basis.
- Extending the moratorium period for airline lease rentals and EMIs could also act like a SOS for some time.
- More safety and sanitization measures to be introduced to win the trust of travellers.
- In case of cancellation of flights passengers should be informed in advance as it use to earlier and refund should be granted to avoid panic among passengers.
- Airlines can have tie ups with corporates to regenerate corporate travel and business class tickets can be offered with more space and luxury.
- New trend of hiring charter planes can be encashed by the airlines as there has been a surge in demand as many people are concerned about boarding a crowded plane. They are ready to pay lakhs for charter services which includes reporting at the airport at the time of boarding and a escort to help in security checks to avoid long standing in queues.
- Outbound flights of international airlines to ferry passengers from India to Europe, UK and USA etc. can be allowed as many airlines like Lufthansa and Etihad airways are proposing this to the civil aviation ministry. This would help in bringing back the

confidence of passengers in air travel.

### Conclusion:

The world is witnessing the transformation from pre COVID 19 to Post COVID 19 which have proved disruptive in some of the key areas and have brought new opportunities in other areas, so there is a call for more resilience and strong leadership. Though immediate relief measures have been taken by all the affected nations but a well-thought out exit strategy for a medium and long term to reenergise and rebalance the global economy is the need of the hour. Private sector to be given more autonomy and government should assume regulatory role for the revival of the industry and making it self-reliant. There is a need to provide a level playing field to all the airlines to have a fair play and preventing monopolies of the few.

Covid -19 is a battle against invisible microorganism which can be won by timely and well-coordinated efforts at global level. Until a vaccine is developed, we have to cease fire with the new normal. Government, aviation authorities, airlines and other stakeholders of this entire industry have been engaged in evolving strategies to come out of COVID -19 trap. However, regenerating the willingness of travellers to fly will remain a Herculean task. Therefore, concerted efforts are required on the demand side for building confidence, winning trust of the end-users and to sustain the backward and forward linkages of the aviation sector.

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Acknowledgement: Above paper has been presented in the One Day International Webinar on --- Strategies for Revival of Indian Business in the Post -Pandemic Economic Scenario organised by Indian Accounting Association South Bengal, Chapter held on May 23, 2020.