

# Role of Indian Aviation Service in National Income

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## ABSTRACT

The Indian aviation industry plays a vital role in the nation's economic growth, significantly contributing to GDP, employment generation, and infrastructure growth. As one of the country's fastest expanding industries, it stimulates financial activities by facilitating both domestic and international trade, tourism, and attracting foreign investment. The sector directly generates employment opportunities in airlines, airports, cargo management, and aviation services, while also indirectly supporting employment in sectors such as hospitality, retail, and logistics. Moreover, air transport plays an important part in boosting tourism, with worldwide visitors arriving by air making considerable contributions to the economy through their spending. The aviation industry is very important for connecting worldwide businesses, improving supply chain efficiency, and boosting India's global competitiveness.

The continued development and expansion of India's aviation sector are integral to the broader economic system. With increasing passenger numbers, a surge in aircraft orders, and expansion of regional airports, the aviation industry is positioned to contribute even more significantly in the future. Its role in FDI is noteworthy, as enhanced air connectivity promotes international companies to establish operations in India. In addition, government initiatives such as "Make in India" aim to reduce reliance on imports by promoting domestic manufacturing in the aviation sector. As this sector continues to evolve, it has the potential to further drive India's GDP growth, create millions of jobs, and boost the nation's integration into the global economy, cementing its role as a vital component of national income.

**Keywords:** Indian aviation industry, airlines, foreign investment, government, national income, FDI, development

## INTRODUCTION

India's aviation industry is set for substantial growth, fueled by factors such as increasing household incomes, the rise of budget airlines, greater foreign direct investment, and strong GDP expansion. Additionally, ongoing infrastructure improvements and advancements in technology are providing further momentum to the sector. Government policies and regulations are also playing a key role, creating a competitive yet secure environment for operations. As India is on track to become the third-largest air passenger market globally, the aviation sector will remain a critical driver of the nation's economic progress.

Over the past nine years, India's aviation sector has witnessed remarkable expansion. It has emerged as the third-largest domestic aviation market globally and is on track to surpass the United Kingdom to

become the third-largest air passenger market by 2024. This rapid growth highlights the sector's increasing significance in the global aviation landscape.

The aviation industry plays a vital role in India's economic development. It contributes around 5% to the country's Gross Domestic Product (GDP) and supports approximately 4 million jobs across various sectors. Additionally, the industry adds an estimated \$72 billion in gross value to the nation's GDP, further underlining its importance as a key economic driver. In general, the aviation sector not only enhances connectivity and mobility but also serves as a major contributor to job creation, infrastructure development, and economic growth in India.

### **STATEMENT OF THE PROBLEM**

The aviation service sector in India is a vital contributor to the nation's economic growth, driving GDP expansion, employment generation, and infrastructure development. However, in spite of its increasing importance, the sector faces several challenges, including insufficient infrastructure, high operational expenses, and regulatory hurdles that impede its optimal growth. Other issues, such as limited regional connectivity, dependence on imported aircraft, and fluctuating fuel costs, negatively impact the performance and profitability of airlines. Overcoming these obstacles is crucial for unlocking the sector's full potential, which will further boost India's economic progress, create more job opportunities, and enhance its competitive standing in the global market.

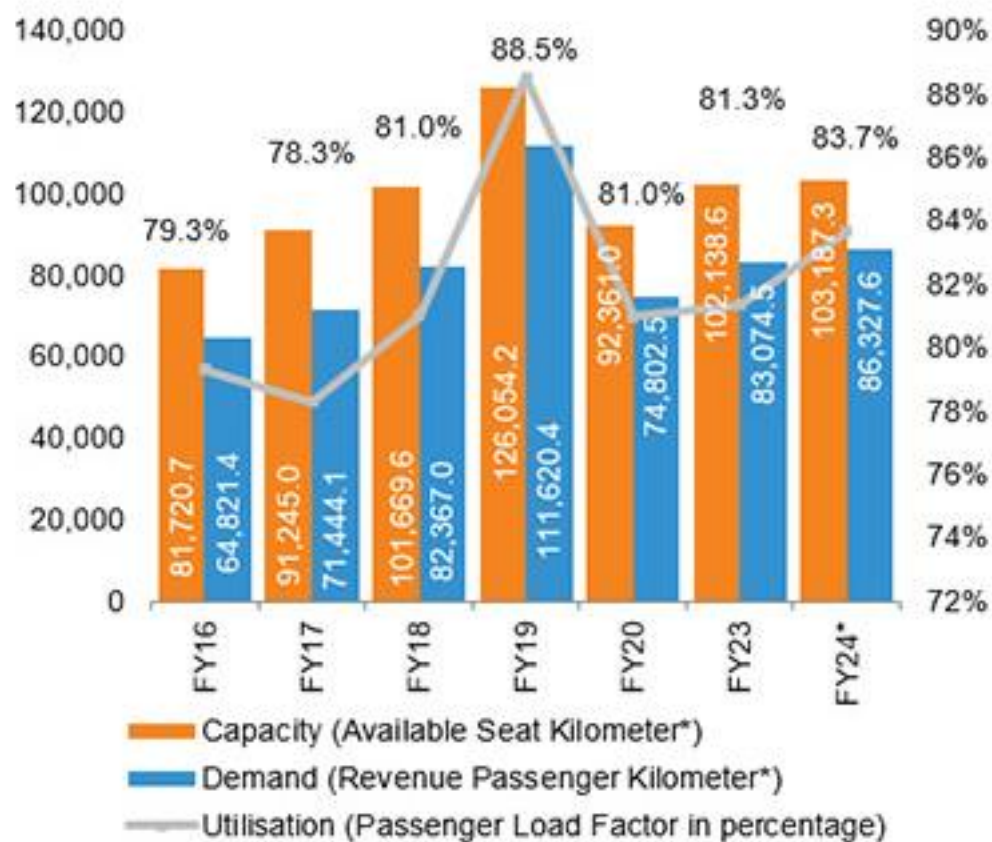
### **RESEARCH OBJECTIVES**

- To examine and analyze the contribution of the Indian aviation service sector to the country's GDP and overall economic development.
- To identify the challenges faced by the Indian aviation industry
- To examine the effect of government initiatives on the growth and sustainability of the aviation industry.
- To identify the potential for regional connectivity and its role in enhancing economic inclusivity through the aviation industry.

### **KEY ASPECTS OF THE AVIATION SECTOR IN INDIA**

The aviation sector in India is a key driver of economic growth, contributing significantly to GDP, job creation, and infrastructure development through a growing demand for air travel and regional connectivity. Government initiatives like UDAN, along with rising foreign investment and the "Make in India" program, are strengthening the industry's global competitiveness and fostering innovation in domestic aviation manufacturing.

## International demand, capacity utilization



## Revenue

India's aviation industry, once heavily impacted by the COVID-19 crisis, has shown strong signs of recovery and growth. With increasing passenger demand and renewed investor confidence, the sector is steadily bouncing back. Industry forecasts suggest that India is on track to become the third-largest aviation market globally in the near future. Looking further ahead, the sector could contribute up to \$1 trillion annually to the national economy by 2043. This expected growth is driven by favorable demographics, rising incomes, economic stability, and significant developments in infrastructure and aviation technology.

## New Orders

Recent developments in the Indian aviation sector point to major expansion, particularly through large-scale aircraft acquisitions. In a bold move, IndiGo and Air India placed historic orders for 500 and 470 planes, respectively, in 2023. These orders reflect strong confidence in long-term industry growth. Newer entrants like Akasa Air and the revival of Jet Airways also signal plans for aggressive fleet expansion. According to CAPA India, airlines in the country could place over 1,300 additional aircraft orders in the coming years, largely fueled by rising travel demand, the growth of budget carriers, and government support for regional connectivity.

## Net Profit

In the past couple of years, India's aviation industry has seen a noticeable reduction in collective financial losses. This improvement has come from a rebound in passenger traffic along with more stable fuel prices and currency exchange rates. With travel demand now exceeding pre-pandemic levels and airlines adjusting pricing strategies, the sector is expected to shift toward profitability in the near future.

### Research and Development

India's aviation industry is seeing rapid progress in research and development, with strong indicators of continued expansion. The number of airports in the country has grown from 74 in 2013–14 to a projected total of 220 by 2024–25. This remarkable growth is supported by large-scale government investments and active collaboration with private enterprises. These infrastructure developments are expected to generate substantial employment opportunities in the next ten years.

Alongside this, the aviation sector is experiencing a steady increase in passenger traffic, and future growth in international travel and cargo transport appears promising. Programs like UDAN have strengthened connectivity to remote regions, while innovations in automation and artificial intelligence are expected to enhance efficiency and reduce operational costs throughout the industry.

### Attrition

The aviation sector has been facing notable levels of attrition, more than many other industries in recent years. Airlines such as Air India and IndiGo have encountered financial stress, requiring external funding to maintain operations. SpiceJet has dealt with safety issues and monetary challenges, resulting in scaled-down services. Additionally, the sector grapples with issues like outdated infrastructure, complex regulations, a lack of skilled personnel, high expenses, and environmental pressures.

If these problems are not addressed, the industry could continue to see high attrition rates. However, the outlook isn't entirely bleak—supportive government policies, a strengthening economy, and the integration of advanced technologies like AI may help stabilize the sector and create opportunities for sustainable growth.

## ROLE OF INDIAN AVIATION SERVICE SECTOR IN NATIONAL INCOME

### Employment

India's aviation industry is a major source of employment, generating around 7.5 million jobs across various segments. This includes roughly 390,000 individuals working directly in the sector, 570,000 employed through related industries, and an estimated 6.2 million supported by the tourism industry. As reported by the International Air Transport Association (IATA), the aviation sector contributes approximately \$30 billion to India's GDP each year. The jobs created span multiple areas—from airlines, airports, and aircraft manufacturing to retail and air traffic services. Additionally, the industry supports employment indirectly through the purchase of goods and services from local businesses, estimated to add another 943,000 jobs. Employee spending further stimulates the economy, helping to sustain around 553,000 additional roles in other sectors.

### Boost to Tourism

Air transport is essential for expanding tourism within India and abroad, making travel faster and more accessible to a wide range of destinations. Tourism, in return, plays a significant role in boosting the Indian economy through foreign currency inflows, increased activity in the hospitality sector, and job creation. Spending by international tourists arriving by air is believed to support approximately 4.3 million jobs. The growth of the tourism industry contributes to both national and global employment, with recent statistics showing a 34.3% rise in tourism activity compared to 2021—highlighting a strong post-pandemic recovery.

### Trade and Commerce

The aviation sector plays a crucial role in supporting trade by enabling fast and efficient transportation of goods, especially those that are high in value, perishable, or time-sensitive. This mode of transport

helps Indian companies access distant markets, extend their supply networks, and remain competitive in the global marketplace. As a result, air travel is a key driver in facilitating both domestic and international commerce.

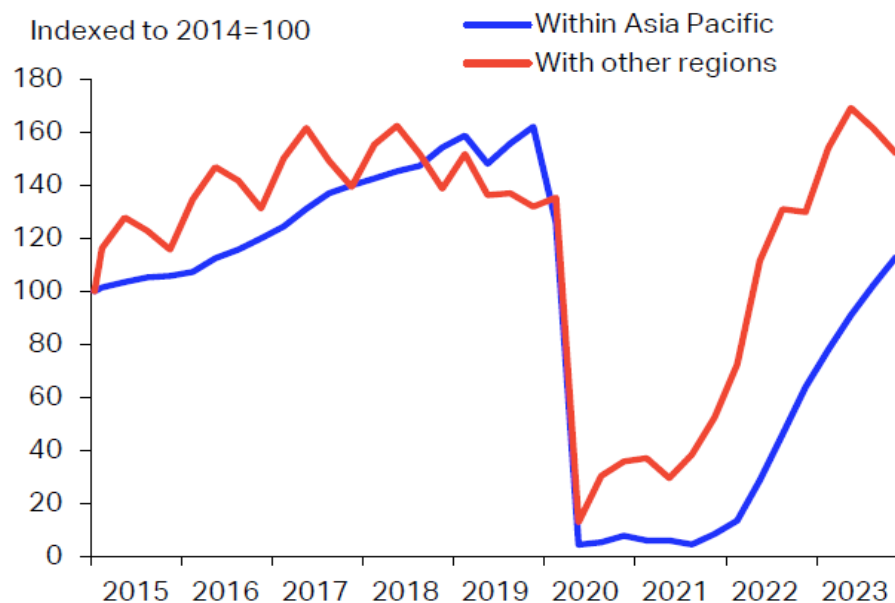
## Foreign Investment and Business

India's expanding aviation infrastructure contributes significantly to attracting international investors and companies. A reliable and well-connected air travel system encourages foreign businesses to establish operations in India, knowing they can rely on smooth and timely transportation. This improved accessibility often leads to greater foreign direct investment (FDI), which in turn supports job creation and overall economic progress.

## Connectivity

Strong air connectivity is essential for unlocking economic potential across regions. It enables industries throughout the country to participate in broader business opportunities and ensures a more balanced distribution of growth. Since 2014, India has seen a 4% decline in international air connectivity within the Asia-Pacific, but a 59% increase in connections with other global regions. In terms of passenger movement, about 13% of international arrivals in India connect to domestic flights, 85% either complete their journey at the arrival airport or switch to another travel mode, and 2% continue to a third country after entry. This flow highlights how air travel supports both internal and international mobility.

### International air connectivity of India



## Infrastructure Development

The growth of the aviation sector necessitates the development of airports and related infrastructure, which directly impacts the construction industry. This boost leads to job creation and economic opportunities, particularly in building and maintaining airports, runways, terminals, and other essential aviation facilities.

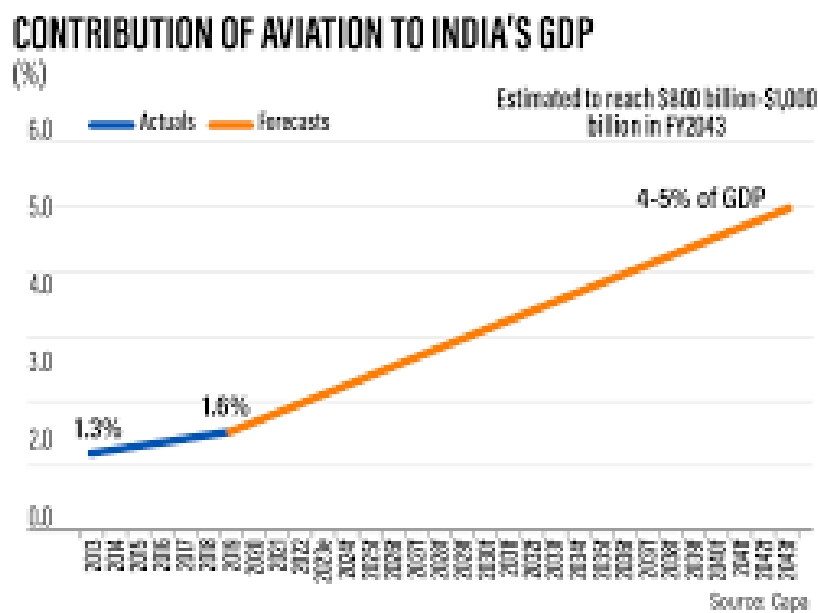
## Make-in-India Initiative

While much of India's aviation market has traditionally relied on importing parts from abroad, recent efforts, particularly under the Make-in-India initiative, aim to encourage domestic manufacturing of these components. This push is expected to accelerate India's industrial growth, empowering local businesses and corporations, which will have a significant positive impact on the country's economy.

Supporting the growth of the aviation sector is vital, as it not only aligns with the Make-in-India program but also plays a crucial role in skill development, which in turn fosters national development. Air transport jobs are typically highly productive, benefiting not just the airline employers but the wider economy. On average, an employee in the air transport sector in India contributes nearly ₹1.3 million in Gross Value Added annually, roughly ten times the national average. With India's aviation market projected to become the third-largest globally, it is critical to focus on its growth. In spite of the current economic challenges, investing in aviation development could play a pivotal role in revitalizing the overall economy.

## IMPACT OF AVIATION ON INDIAN GDP

The direct and indirect contributions of air transport to the economy account for approximately 5% of the country's Gross Domestic Product (GDP). A vibrant aviation industry has a positive effect on overall economic performance. In India, airlines, airport operators, on-site businesses (such as restaurants and retail outlets), aircraft manufacturers, and air navigation service providers employ around 404,000 people. Additionally, the sector supports another 943,000 jobs by purchasing goods and services from local suppliers. Furthermore, the wages paid to these employees contribute to around 553,000 more jobs, as a portion of these earnings is spent on consumer products and services. The spending of foreign tourists arriving by air also stimulates the economy, supporting an estimated 4.3 million jobs. In total, the aviation sector and the tourism it drives support approximately 6.2 million jobs across India.



The air transport sector, including airlines and their supply chains, is projected to contribute approximately \$13 billion to India's GDP. Additionally, foreign tourists' expenditures further boost the economy by \$22 billion, bringing the combined contribution to \$35 billion. This means that 1.5% of India's GDP is supported by both the air transport industry and the spending of foreign visitors arriving by air. The primary benefits of air transport extend to passengers, cargo handlers, and businesses involved in trade, with the value being reflected in both the tourism revenue and export value. A major economic advantage fueled by efficient air transport is foreign direct investment (FDI), which helps create long-term, productive assets that contribute to sustained GDP growth.



Nevertheless, India's passenger facilitation score (2.7/10) is lower than the Asia-Pacific average (4.7/10). According to the World Economic Forum's Travel & Tourism Competitiveness Index, India ranks 49th in visa accessibility and 25th in cost competitiveness, where higher scores and ranks are more favorable. The Indian aviation market is expected to grow by 262% over the next 20 years under the “current trends” scenario, which would result in an additional 370.3 million passenger journeys by 2037. This growth could lead to an increase of \$126.7 billion in GDP and nearly 9.1 million jobs. Long-term forecasts are even more optimistic, with the aviation industry potentially adding up to \$1 trillion annually to India's GDP by 2043. This growth is driven by the country's large population, increasing incomes, a strong economy, and substantial investments in infrastructure and technology.

## ANALYSIS AND FINDINGS

### India's National Income (Gross Domestic Product) by Sector

Year	GDP (in INR Trillions)	Agriculture (%)	Industry (%)	Services (%)
2021	197.46	18.0	26.1	55.9
2022	211.10	17.6	25.8	56.6
2023	224.15	17.3	26.4	56.3
2024	238.00	16.8	27.0	56.2

### Financial Overview of India's Aviation Industry

Airline/Aviation Company	Revenue (in Billions)	Operating Profit (in Billions)	Passenger Traffic (Millions)	Fleet Size	Net Profit/Loss (in Billions)	Average Load Factor (%)
Air India	195.0	12.3	20.1	170	3.5	83%
IndiGo	470.5	45.2	80.2	290	15.0	85%
SpiceJet	120.0	7.5	12.5	100	-2.3	80%
Go Air (GoFirst)	48.0	4.6	10.4	60	0.6	78%
AirAsia India	45.0	5.0	9.8	30	0.1	75%
Airports Authority of India (AAI)	230.0	78.0	N/A	N/A	N/A	N/A

India's national income has consistently grown in recent years, demonstrating steady economic development in spite of facing both global and domestic challenges. The services sector continues to be the dominant contributor to the country's GDP, accounting for more than 55% annually. This highlights India's strong presence in key industries such as information technology, telecommunications, finance, and real estate. While industry and agriculture have maintained stable contributions, the share from agriculture has seen a gradual decline, reflecting a broader structural shift in the economy. This change mirrors trends in other developing nations, where labor and resources transition from agriculture to more efficient sectors like manufacturing and services. The GDP for 2024 is projected at ₹238 trillion, reflecting both resilience and growth in the country's economic output.

In the aviation sector, financial trends reflect both recovery and challenges. IndiGo has firmly established itself as the leader in the market, reporting the highest revenue and net profit among Indian carriers, benefiting from strong passenger numbers and high load factors. Air India, following new management and increased investment, is beginning to show signs of improvement. However, smaller

airlines such as SpiceJet continue to face difficulties, likely because of rising operational expenses and limited scale. The overall growth in fleet sizes and passenger numbers indicates a rising demand for air travel, driven by an expanding middle class and better connectivity. The Airports Authority of India has also reported strong operating profits, indicating improvements in airport infrastructure and higher air traffic. In spite of some setbacks, the sector is clearly on a growth path, reflecting the broader expansion of India's economy.

## **FUTURE PROSPECTS**

The future of India's aviation sector looks promising, with continued infrastructure investments, a growing middle class, and increasing tourism. The government's UDAN scheme has been instrumental in expanding regional connectivity, and with the continued liberalization of aviation policies, India is poised to become a global aviation hub.

**Air Traffic Management Reforms:** India is increasingly focusing on enhancing its air traffic management systems and improving airport infrastructure to handle growing demand.

**Sustainability Initiatives:** The sector is also exploring sustainability initiatives like the use of biofuels, more efficient aircraft, and eco-friendly airport operations to reduce its carbon footprint.

## **CONCLUSION IN SUGGESTIONS**

In conclusion, the aviation service sector in India plays an essential role in driving national economic progress. Its influence extends across multiple areas, contributing significantly to GDP growth, creating millions of jobs, and facilitating international trade and tourism. Beyond direct economic contributions, this sector acts as a driving force for the advancement of various other industries. However, to fully unlock its potential, India must address key challenges such as infrastructure gaps, improving passenger services, and enhancing cost efficiency, which currently falls short compared to other countries in the Asia-Pacific region.

To optimize the aviation sector's impact on India's national income, it is crucial for the government to continue investing in infrastructure and technological advancements. Modernizing airports and related facilities will help meet the increasing demand for air travel. Additionally, reforms aimed at streamlining visa processes, lowering travel costs, and attracting more international passengers will further elevate the sector's contribution to the economy. Promoting innovation and local production within the aviation industry, particularly under initiatives like "Make in India," will reduce reliance on imports, fostering a more independent and robust sector.

Finally, enhancing regional connectivity through programs like UDAN will be vital in boosting air travel in underserved regions, ensuring more equitable economic growth across the nation. By addressing these areas, the aviation service sector will not only strengthen its contribution to India's national income but will also play a pivotal role in shaping the country's economic trajectory moving forward.

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