

## GLOBAL JOURNAL OF ENGINEERING SCIENCE AND RESEARCHES GROWTH AND PERFORMANCE OF INDIAN LOW COST AIRLINES IN DOMESTIC AND INTERNATIONAL DESTINATIONS

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### ABSTRACT

The main objective of the study is to find out the growth of low cost airlines and to project the passenger movement. For the purpose of this research, Compound Annual growth rate method was used to find out the growth rate of Low Cost Carriers. Low Cost Carriers (LCC) have developed their value chain and strategies with a focus on cost reduction in comparison to network carriers who also focused on excellent customer service. Industry specialists and consumers both believe that LCC have benefited the industry by providing low fares and made air travel affordable. Industry specialists believe that LCC should revolve around the LCC basic model rather than a complete transformation into Full Service Carrier (FCC). LCC need to select a need based outsourcing to reduce their unnecessary operational costs. The research concludes that Private low cost carriers take up the major share of Airlines in India and Passenger growth are in increasing Phase.

**Keywords:** Airlines, Low Cost Carriers, Passenger, Aviation Industry.

### I. INTRODUCTION

**The Global Low Cost Airlines Market** was valued at \$117,726 million in 2016, and is projected to reach \$207,816 million in 2023, registering a CAGR of 8.6% from 2017 to 2023. The development of the travel & tourism sector fosters the growth of the low cost airlines market.

Low cost airlines are passenger airlines, which offer travelling service tickets at relatively cheaper rate compared to other airlines (full service or traditional airline). Low cost airlines are also known as no frills airlines, prizefighters, low-cost carriers (LCC), discount airlines, and budget airlines. Some of the popular low cost airlines include Ryanair and EasyJet.

The feasibility of the operation of low cost airlines is attributed to its low cost model. This low cost model may include some of the following characteristics low pricing strategy, simple pricing structure, involves online & direct ticket booking (eliminating extra ground staff & vendors), preference to secondary airport, point-to-point network, single class seating arrangement, ticket fare may not include extra services (food & beverage), intensive aircraft usage, short turnaround time, dense seating arrangements, secondary revenue source (advertisement, onboard selling), and other.

Low cost airlines have grown exponentially worldwide over the past few years, owing to rise in economic activity, ease of travel, travel & tourism industry, urbanization, changes in lifestyle, consumers preference for low cost service along with non-stops, and frequent service, increase in purchasing power of middle class households especially in the developing regions, and high internet penetration coupled with e-literacy. However, factors such as volatile crude oil price and increase in terrorism & crime rate, political uncertainty, & natural calamities hinder the market growth. Conversely, sustainable airport governance, operational & financial improvement is anticipated to leverage the growth of the low cost airlines market. Nevertheless, factors such as high investment & operational cost but low profitability is anticipated to be a major challenge of the low cost airlines industry.

The global low cost airlines market is segmented based on purpose, destination, and distribution channel. By purpose, the market is divided into leisure travel, VFR, business travel, and others. By destination, it is bifurcated into domestic and international. Based on distribution channel, the market is classified into online, travel agency, and others.

The global low cost airlines market is analyzed across North America (U.S., Canada, and Mexico), Europe (UK, Italy, Spain, Germany, France, Latvia, and rest of Europe), Asia-Pacific (Philippines, Indonesia, Thailand, Singapore, Malaysia, Vietnam, China, India, and rest of Asia-Pacific), and LAMEA (Latin America, Africa, and Middle East).

Major companies profiled in the report include Airasia Inc., Virgin America, Norwegian Air Shuttle As, easyJet plc, Jetstar Airways Pty Ltd., WestJet Airlines Ltd., Indigo, LLC, Azul Linhas Areas Brasileiras S.A. (Azul Brazilian Airlines), Ryanair Holdings plc, and Air Arabia PJSC.

In India Low cost carrier occupied almost two-thirds of all domestic air traveller. As per DGCA report, in the March 2019 76.9% of passenger flew in Low cost carriers.

## II. REVIEW OF LITERATURE

**Baker et al.,(2014)** presents the strategy adopted by Low cost airlines. He found that low cost airlines are improving recent years in the measure of customer satisfaction: Mishandles baggage, Passenger boarding, Customer complaints and On-Time performance.

**Yu Chiun Chiou et al.,(2010)** analyze the factors that influence the passengers in selection of Full service and Low cost airlines. The result shows that there is difference exist in Full cost and Low cost airlines. Service Perception is considered to be an important factor influencing in selection.

**Pasari (2006)** stressed that there was gigantic interest potential accessible in India for Low Cost Airlines as there were unfulfilled interest in the nation not unfulfilled by system carriers or Full Service aircrafts as developing working class might want to fly at a less expensive cost

### Objectives

- To examine the passenger movement trends of domestic and International low cost carriers in India for past five years(2019-2023)
- To project the passenger movement of low cost airlines in India for next five years.
- To analyze the growth rate of passenger carried in both domestic and International low cost carriers in India.

## III. RESEARCH METHODOLOGY

### Data collection

The data for the study was taken from Director General of Civil Aviation website (www.dgca.nic.in) for the last 5 years available which is the compilation of the data received from Airlines operator for the domestic and International operation services. The data was collected for the 5 year period from 2014 to 2018. The operations of Air India Express, Indigo ,and Spice Jet, are offering limited or basic service to the passengers and classified as Low Cost Carriers.

### Data analysis

To achieve the objectives of the study, “Time series method” was adopted. This is used to calculate the trend for past data and also to project the domestic and International Passenger Movement in Low cost airlines operated in India from 2019-2023.The formula for Trend Analysis is,

$$Y=a + b x$$

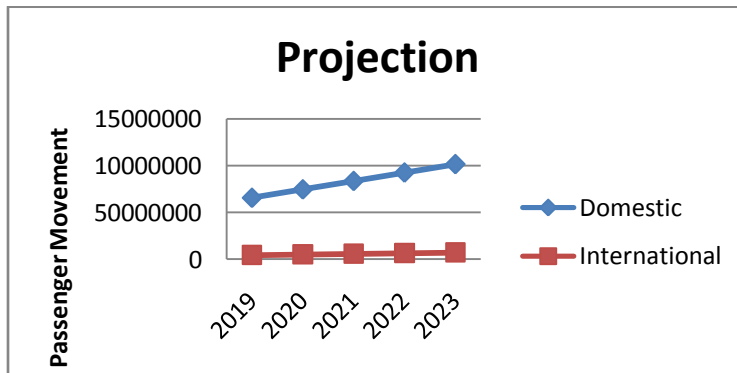
Where a= Total of Y/N  
b= Total of XY/X2  
(Source: Kothari, CR., 2004)

Data analysis and interpretation indigo

Table:1 Domestic and International Passenger movement of Indigo Airlines Growth and Trend Projection

Domestic			Trend Projection 2019-2023		International		Trend Projection	
Year	Domestic	Growth(%)	Trend	Projection	International	Growth(%)	Trend	Projection
2014	21425694	25	21051978	<b>65708697</b>	1445936	10.5	1036595	<b>4377989</b>
2015	29743558	38.8	29983322	<b>74640042</b>	1614736	11.6	1704874	<b>5046268</b>
2016	39263954	32	38914666	<b>83571386</b>	1797360	11.3	2373153	<b>5714547</b>
2017	46371858	18.1	47846010	<b>92502730</b>	2826065	57.5	3041432	<b>6382826</b>
2018	57768264	24.5	56777354	<b>101434074</b>	4181666	47.9	3709710	<b>7051105</b>

Source: DGCA report



From the table1 when considering the domestic and International passenger movement of Indigo airlines, it is clear that there is increase in growth rate in 2015. Later the rate was decreased due to certain reason And in case of International passenger movement there is increase in growth rate. It implies that when compare to domestic , International Passenger movement faces a increase in growth rate.

While calculating the trend values, it is found that there was gradual increase in domestic and International passenger movement. It implies that there was increase in travel of people in recent years.

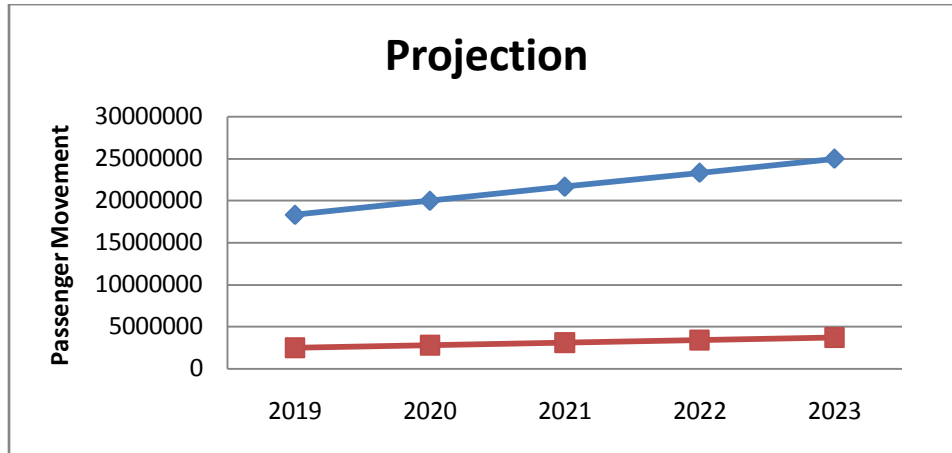
The trend projection for both domestic and International passenger movement from 2019-2023 shows continuous increase in values. The projection shows continuous improvement to 101434074 passenger movement in 2023 in domestic and 7051105 in international travel.

Spice jet

Table:2 Domestic and International Passenger movement of Spice Jet Airlines Growth and Trend Projection

Domestic			Trend Projection 2019-2023		International		Trend Projection	
Year	Domestic	Growth(%)	Trend	Projection	International	Growth(%)	Trend	Projection

2014	11750041	15.8	14948913	<b>18291777</b>	1058296	1.7	959256.6	<b>2480209</b>
2015	9425939	19.78	11606053	<b>19963208</b>	1084914	2.51	1263447	<b>2784399</b>
2016	12675346	34.47	13277484	<b>21634639</b>	1637595	50.9	1567637	<b>3088589</b>
2017	15431858	21.74	14948915	<b>23306069</b>	1871354	14.2	1871828	<b>3392780</b>
2018	17104236	10.8	16620346	<b>24977500</b>	2186028	16.8	2176018	<b>3696970</b>



From the table 2 when considering the domestic and International passenger movement of SpiceJet airlines, it is clear that there is increase in growth rate in 2016. Later the rate was decreased due to certain reason And in case of International passenger movement there is increase in growth rate till 2016. It implies that both domestic and International Passenger movement faces a increase in growth rate.

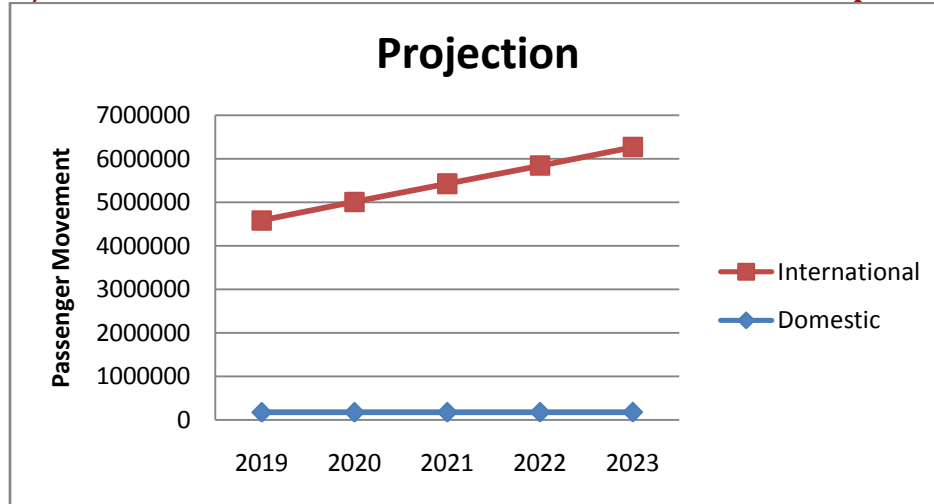
While calculating the trend values, it is found that there was gradual increase in domestic and International passenger movement. It implies that there was increase in travel of people in recent years.

The trend projection for both domestic and International passenger movement from 2019-2023 shows continuous increase in values. The projection shows continuous improvement to 24977500 passenger movement in 2023 in domestic and 3696970 in international travel.

**Air india express**

*Table:3 Domestic and International Passenger movement of Air India Express Airlines Growth and Trend Projection*

Year	Domestic		Trend Projection		International		Trend Projection	
	Domestic	Growth	Trend	Projection	International	Growth	Trend	Projection
2014	242978	27.5	174563	<b>180484</b>	2429789	4.8	2309927	<b>4406010.3</b>
2015	161389	-33.5	175747.4	<b>181668</b>	2575069	5.9	2729144	<b>4825227</b>
2016	112763	-30.1	176931.2	<b>182852</b>	3077397	19.5	3148360	<b>5244443.7</b>
2017	99548	-11.71	178115.3	<b>184036</b>	3692278	19.9	3567577	<b>5663660.4</b>
2018	267978	169.1	179299.4	<b>185220</b>	3967268	7.4	3986794	<b>6082877.1</b>



From the table3 when considering the domestic and International passenger movement of Air India Express airlines, it is clear that there is decrease in growth rate till 2017. And in case of International passenger movement there is increase in growth rate . It implies that both domestic and International Passenger movement faces a increase in growth rate.

While calculating the trend values, it is found that there was gradual increase in domestic and International passenger movement. It implies that there was increase in travel of people in recent years.

The trend projection for both domestic and International passenger movement from 2019-2023 shows continuous increase in values. The projection shows continuous improvement in passenger movement in 2023 by 185220 in domestic and 6082877.1in international travel.

#### IV. FINDINGS

The trend values for both domestic and international passenger movement of Low cost airlines faces a increasing trend. The researcher found that the projected export and import value of Low cost airlines in India are increasingly rapidly.

- The Indigo Airlines are expect to increase their domestic passenger movement from 65708697 in 2019 to 101434074 in 2023.The international passenger movement is Expected to increase from 4377989 in 2019 to 7051105 in 2023.
- The Spice Jet Airlines are expect to increase their domestic passenger movement from 18291777 in 2019 to 24977500 in 2023.The international passenger movement is Expected to increase from 2480209 in 2019 to 3696970 in 2023
- The Air India Express Airlines are expect to increase their domestic passenger movement from 180484 in 2019 to 185220 in 2023.The international passenger movement is Expected to increase from 4406010.3 in 2019 to 6082877.1 in 2023

It is found that Low cost Airlines are facing increase in growth rate .It clear that passenger prefer to travel in these carriers mainly due to price and flight schedule.

#### V. CONCLUSION

In recent years Indian Low cost airlines occupies top position in case of both domestic and International Travel. This Paper reveals that when compared to international operations Indigo and Spice Jet faces increased passenger

movement in Domestic destination. In case of Air India Express it faces increased growth in International Destination when compare to domestic. Therefore both private and Public Airlines need to concentrate on service offered to customers.

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