Indian Economy · GS - III

The financial performance of Indian airlines is influenced by global cost pressures, geopolitical disruptions and structural weaknesses in the aviation ecosystem. Examine these factors and suggest measures to improve the financial sustainability of India's civil aviation sector.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 20/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Aviation industry, ATF prices, foreign exchange exposure, airspace restrictions, leasing costs, airport charges, competition, regional connectivity, airline consolidation, operational efficiency, infrastructure, regulatory reforms.

Model Answer

Introduction

Civil aviation is an important driver of tourism, trade, employment and regional connectivity. However, high operating costs and external disruptions can weaken airline profitability, as reflected in the financial difficulties reported by major Indian carriers.

Factors Affecting Airline Financial Performance

1. **High aviation turbine fuel costs:** Fuel constitutes a significant share of airline operating expenditure, making profitability vulnerable to international oil prices and taxation.

2. **Geopolitical disruptions:** Airspace restrictions increase flight distances, fuel consumption, travel time and operational costs.
3. **Foreign exchange exposure:** Aircraft leasing, maintenance and several aviation-related payments are denominated in foreign currencies.
4. **Infrastructure costs:** Airport charges, congestion and inadequate supporting infrastructure affect operational efficiency.
5. **Intense competition:** Price-sensitive demand and competitive ticket pricing can constrain revenue margins.
6. **Fleet and integration challenges:** Aircraft delivery delays, maintenance requirements and organisational integration can increase costs.

Measures for Financial Sustainability

- Rationalise aviation taxation and improve fuel-cost efficiency.
- Strengthen domestic maintenance, repair and overhaul (MRO) capabilities.
- Expand airport capacity and improve air traffic management.
- Encourage prudent financial management and efficient fleet utilisation.
- Promote regional connectivity and diversified revenue streams.
- Ensure transparent corporate governance and realistic turnaround strategies.

Conclusion

A financially sustainable aviation sector requires coordinated action on operating costs, infrastructure, regulation and corporate efficiency. Strengthening domestic capabilities and resilience against external shocks will be essential for India's aviation ambitions.