

AVIATION SECTOR – ECONOMY

NEWS: Prime Minister Narendra Modi recently highlighted India's rapidly growing aviation sector as a major investment opportunity.

WHAT'S IN THE NEWS?

Rapid Growth of India's Aviation Sector

- India is witnessing **transformative growth** in its aviation sector, propelled by increasing middle-class income, urbanization, and preference for air travel.
- It has emerged as the **third-largest domestic aviation market** in the world, behind only the **United States and China**.
- Strategic government support and private sector participation have accelerated both **passenger and infrastructure expansion**.

Key Government Initiatives

a. Legal and Policy Reforms

- The **Protection of Interest in Aircraft Objects Bill, 2025** was passed by Parliament to align India's **aviation leasing laws** with international norms, thereby reducing leasing costs and increasing investor confidence.
- The **Bharatiya Vayuyan Adhiniyam, 2024** replaced the outdated **Aircraft Act of 1934**, modernizing the legal framework to better suit 21st-century aviation needs.

b. UDAN Scheme and Regional Connectivity

- The **UDAN (Ude Desh ka Aam Nagrik)** scheme, now in its **9th year**, has significantly enhanced regional air connectivity by operationalizing **619 routes and 88 airports**.
- Future plans include **expanding air services to 120 more destinations**, particularly focusing on underserved and remote regions.
- Passenger amenities under UDAN have also improved, including the introduction of **UDAN Yatri Cafés** at Kolkata and Chennai airports, offering affordable food options.

c. Aviation Infrastructure and MRO Reforms

- Rapid infrastructure expansion includes **construction of Greenfield airports**, modernization of terminal facilities, and improvement of ground-handling systems.
- A **uniform 5% IGST rate** on aircraft parts has been introduced to encourage **domestic Maintenance, Repair & Overhaul (MRO)** operations.
- The sector now permits **100% Foreign Direct Investment (FDI)** under the **automatic route**, encouraging global partnerships.

- Reduction in GST rates and tax rationalisation have made **India's MRO industry more competitive globally**.

Notable Sectoral Achievements

- India's **total air passenger traffic exceeded 350 million annually**, marking a significant rise in domestic and international air travel.
- In **2024**, India achieved a record-breaking milestone of **over 5 lakh domestic passengers in a single day**.
- From **January to November 2024**, international air routes witnessed robust growth with **64.5 million passengers**, registering an **11.4% year-on-year increase**.
- India has one of the **highest ratios of women pilots globally**, with **13–18%** representation.
- The **DGCA (Directorate General of Civil Aviation)** is targeting **25% women participation across all aviation roles by 2025**, supporting gender diversity in the sector.

Challenges and Concerns

- Despite the rapid growth, **India's aviation industry remains heavily dependent on imported components**, including aircraft, spare parts, and avionics.
- There is a **growing shortage of skilled manpower** such as pilots, aircraft maintenance engineers, and ground staff, which may hinder expansion.
- A significant section of the population still finds **air travel unaffordable**, limiting domestic market saturation despite a **40% upwardly mobile middle class**.
- Managing **airport congestion, environmental sustainability**, and ensuring **aviation safety** are also emerging challenges.

Conclusion and Way Forward

- With rising air traffic, legal modernization, regional connectivity, and better infrastructure, **India is poised to become a global civil aviation hub**.
- To sustain this momentum, **collaborative engagement between industry stakeholders and policymakers** is crucial for ensuring rational, inclusive, and growth-oriented policies.
- Strategic focus on **skill development, domestic manufacturing of aircraft components**, and expanding regional services will help realize the vision of **"Viksit Bharat @2047."**

Source: https://www.deccanherald.com/india/india-offers-an-excellent-opportunity-for-investment-in-aviation-sector-pm-modi-3568056#google_vignette

