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A Constant Market Share Analysis of Selected Airline Companies in India

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Abstract

The study examines the financial performance of Indian airline companies for a period of five years from 2020 to 2024 using Constant Market Share Analysis. It focuses on the COVID-19 pandemic's effects and fallout. The study shows notable differences in carriers' financial performance, underscoring the value of flexibility and creativity in dealing with disturbances. For industry participants, the report offers helpful suggestions on how to boost financial stability, increase operational effectiveness, and boost competitiveness in a market that is changing quickly.

Keywords: Airline, Constant Market Share Analysis, and Domestic Market Share.

1. INTRODUCTION

In this section, the researcher focused on the background of the study, novelty work, and significance of the study which are discussed in the following.

1.1 Background of the Study

Over the past 20 years, urbanization, growing disposable incomes, and benevolent government policies have all contributed to the notable expansion of the Indian aviation sector (Jayathilakan, A., *et al.*, 2024). Air travel is now more accessible thanks to programs like the UDAN initiative, which has also made India one of the world's fastest-growing aviation markets (Jose, A., & Ram, S. 2019). However, the COVID-19 pandemic in 2020 brought the industry to a complete standstill, leading to operational difficulties and financial consequences (Xiang, S., *et al.*, 2021). Airlines have prioritized cost reduction, operating effectiveness, and using technology to improve customer experiences throughout the 2020–2024 recovery period. Government assistance, including tax breaks and financial assistance packages, has given faltering airlines a lifeline. The sector's recovery has also been aided by the opening of international borders and the resurgence of domestic air travel. With an emphasis on developing airport infrastructure and sustainability efforts, the Indian aviation sector is well-positioned to take advantage of its long-term growth potential (Tsiakalos, S. 2024).

1.2 Novelty of the Study

This study examines the Indian aviation sector using Constant Market Share Analysis (CMSA), offering insights into financial performance and shifts in market share. It assesses the industry's recovery trajectory following COVID-19 interruptions using post-pandemic data. The research offers a nuanced analysis of market share changes in a rapidly transforming and highly competitive industry, making it valuable for policymakers, industry stakeholders, and researchers.

1.3 Significance of the Study

The study provides valuable insights for Indian airlines, policymakers, and investors on their financial health and competitive positioning. It aids in decision-making and strategic planning, enhancing operational resilience. Airline managers can use the findings to improve financial performance, policymakers to design regulations, and investors to evaluate investment opportunities. The study also contributes to aviation economics and crisis management, enhancing the stability and growth of the industry.

2. REVIEW OF LITERATURE

The review of literature is divided into two sections one is constant markets and another is airline companies, these reviews are taken from different published national and international journals and also identify the research gaps which are the following.

2.1. Review from Constant Market Shares (CMS)

The development of the Constant Market Shares (CMS) analysis method, arguing it can be improved. A new version is developed for calculating the effects on countries' ability to adapt to changes in world imports (Fagerberg, J., & Sollie, G. 1987). The theoretical foundations and policy relevance of Constant Market Share (CMS) analysis, relating it to a two-stage homothetic demand model, and comparing it with a two-stage Constant Elasticity of Substitution demand model using ESCAP data (Merkies, A *et al*., 1988). The constant market shares (CMS) framework for analyzing export performance in the Australian processed food sector in South-East Asia, highlighting its usefulness depends on the validity of diagnostic interpretation assumptions (Ahmadi-Esfahani, F. Z. 2006). The constant market-shares (CMS) analysis of a country's export growth using index number theory. It aims to find a solution to traditional CMS decomposition problems, focusing on a more flexible CMS decomposition based on superlative index numbers and clarifying the meaning and levels of accounting components (Milana, C. 1988). The article introduces a new constant-market-shares model, analyzing Brazil's exports to the US market between 1992-2004. It reveals that Brazil's gains and losses to OECD countries are related to changes in relative unit labour costs, using a two-period panel data analysis (Batista, J. C. 2008).

2.2. Review from Airline Companies

India's aviation industry, growing at 15% annually, faces financial distress due to internal and external factors. Management must identify and monitor key financial conditions using a multi-criteria decision-making approach. Factors like operating revenue, capacity, cost structure, fuel price, inflation, and GDP growth rate influence airline sustainability (Mahtani, U. S., & Garg, C. P. 2018). The performance of Indian airline companies after the consolidation of the airline sector in 2007-08, focusing on profitability, leverage, liquidity, and capital market standards. The merger did not significantly improve the company's return on equity, net profit margin, interest coverage, earning per share, and dividend per share post-merger & acquisition, indicating that mergers and acquisitions are essential corporate strategy actions for external growth and competitive advantage (Mahesh, R., & Prasad, D. 2012). The financial, operational, and external factors affecting Indian airline companies' financial performance. It compares the accuracy of a logistic regression model with performance, operating, and financial factors versus a model solely based on financial ratios. Incorporating these factors improves the assessment of financial distress in Indian airlines (Mahtani, U. S., & Garg, C. P. 2020). The Indian Aviation Industry is expanding rapidly, with private airlines dominating 75% of the sector. Understanding customer expectations and satisfaction is crucial for improving online marketing strategies and service quality (Agarwal, I., & Gowda, K. R. 2021). The study analyzes domestic Indian airlines' technical and scale efficiency from 2013-2014, revealing technical efficiency between 71% and 89%, with most operating at increasing returns to scale, suggesting expansion potential, and maintenance cost as a significant factor (Sakthidharan, V., & Sivaraman, S. 2018).

2.3. Research Gap

Research on the Indian aviation sector's financial performance is limited, especially during the post-pandemic recovery phase. Indian carriers face unique challenges such as fierce pricing wars, tight profit margins, and high operational costs. The pandemic has introduced new dynamics, such as consumer travel behaviour and evolving government policies. Addressing this research gap can provide insights into Indian carriers' recovery and long-term financial sustainability strategies (Kapoor & Kaur, 2021).

3. Objectives of the Study

1. To analyze the financial performance of major Indian airlines from 2020 to 2024.
2. To assess the impact of the COVID-19 pandemic on the market share and profitability of Indian airlines.
3. To identify factors contributing to the resilience or vulnerability of airlines in the Indian market.

4. Research Questions

1. How has the financial performance of Indian airlines evolved from 2020 to 2024?
2. What are the key drivers of market share changes among Indian airlines?
3. How have external factors, such as fuel prices and government policies, influenced the financial performance of airlines?

5. METHODOLOGY

The study uses Constant Market Share Analysis (CMSA) to evaluate the financial performance of Indian airlines like Indigo, SpiceJet, Air India, and Vistara from 2020 to 2024. It identifies trends, examines market dynamics, and provides insights into their competitive positioning.

6. Data Analysis and Interpretations

Table 1: Domestic market share (%) in terms of domestic market demand 2019-

Airline	2023-24	2022-23	2021-22	2020-21	2019-20
Indigo	60.1	54.7	53.1	53.3	47.8
SpiceJet	5.4	8.4	10.3	14.0	15.9
Air India	10.3	9.3	10.5	9.8	11.0
Vistara	10.4	10.4	9.2	7.1	6.4

Source: DGCA handbook 2019 - 2024

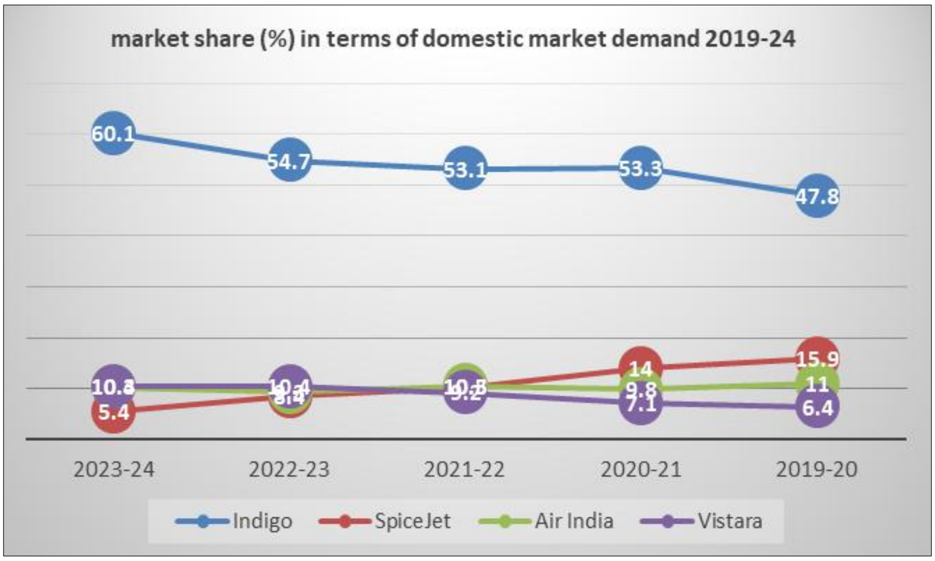

Figure 1: Domestic market share (%) in terms of domestic market demand 2019-24

Table 2: Domestic market share (%) in terms of passengers carried, 2019-24

Airline	2023-24	2022-23	2021-22	2020-21	2019-20
Indigo	61.6	56.4	55.4	55.0	48.2
SpiceJet	5.1	7.9	10.0	13.3	15.6
Air India	9.7	8.6	9.7	9.0	10.9
Vistara	9.4	9.2	8.0	6.3	5.8

Source: DGCA handbook 2019 - 2024

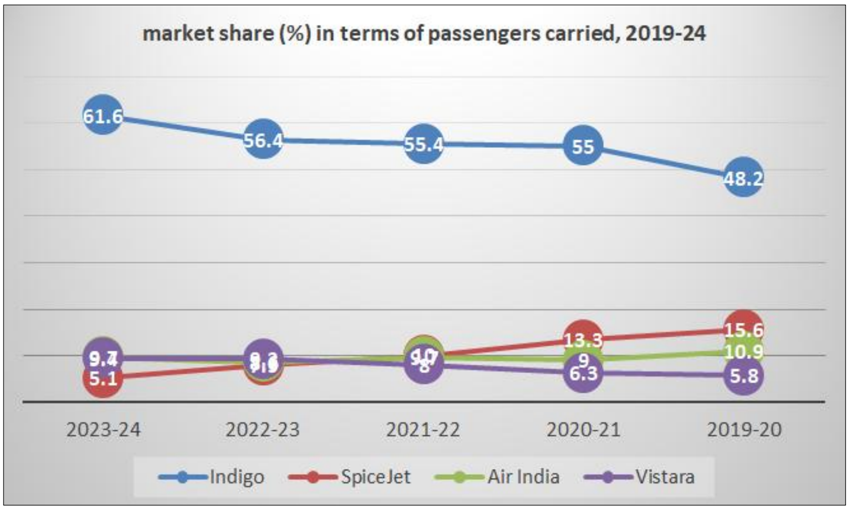

Figure 2: Domestic market share (%) in terms of passengers carried, 2019-24

Table 1: Domestic market share (%) in terms of domestic market demand from the year 2019 to 2024 shows Indigo dominates the market with consistent growth, increasing from 47.8% to 60.1.% in 2024. SpiceJet struggles to retain its position, while Air India loses competitiveness. Vistara shows steady growth, increasing from 6.4% to 10.4%, indicating gradual expansion.

Domestic market share (%) in terms of passengers carried, figures for Indigo, SpiceJet, Air India, and Vistara from 2020 to 2024 are displayed in **Table 2**. Indigo is constantly in the lead and is growing steadily. SpiceJet exhibits modest growth but stagnates, either as a result of operational challenges or market competition. The income of Air India has increased moderately, perhaps as a result of strategic efforts or restructuring. Vistara's notable expansion points to increased market share and a more robust aviation footprint.

The results shows that Indigo's domestic market share has increased consistently, hitting 60% in 2024, demonstrating solid financial results and effective business practices. Decreasing percentage have been recorded by SpiceJet and Air India, perhaps as a result of high expenses or difficulties generating income. Conversely, Vistara's modest but favorable market share indicate steady expansion and an improving financial situation. The airline with the strongest financial position is Indigo.

7. Suggestions

Significant trends and insights into the competitive dynamics of the aviation business may be found by analyzing Indigo, SpiceJet, Air India, and Vistara's market share from 2020 to 2024. Indigo's market share grew from 47% to 60%, demonstrating its continuous improvement in market leadership. Due to operational inefficiencies, financial strain, and fierce competition, SpiceJet faces difficulties and must concentrate on cost reduction and strategic reorganization. Additionally, Air India has lost market share, underscoring the necessity of strategic changes. Low-cost carriers dominate the market in the fiercely competitive aviation sector. Air India and SpiceJet, two legacy airlines, are having difficulty adjusting to the shifting market conditions. Vistara's hybrid business model, which combines full-service services with competitive pricing to enable steady growth, is credited with its success.

8. CONCLUSION

Urbanization, growing disposable incomes, and benevolent government policies have all contributed to the notable expansion of the Indian aviation sector during the last 20 years. The COVID-19 pandemic in 2020, however, shut down the industry and caused operational and financial problems. Airlines have prioritized cost reduction, operational effectiveness, and technology to improve customer experiences throughout the 2020–2024 recovery phase. The sector has recovered thanks in part to government assistance, a resurgence of domestic air travel, and liberalization of international borders. The Indian aviation industry has grown significantly during the past 20 years due to a combination of urbanization, rising disposable incomes, and supportive government regulations. However, the COVID-19 pandemic in 2020 caused operational and financial issues and shut down the sector. During the 2020–2024 recovery period, airlines have placed a high priority on cost reduction, operational effectiveness, and technology to enhance customer experiences. Government support, a rise in domestic air travel, and the opening of international borders have all contributed to the sector's recovery. Indigo should make use of its industry leadership and look at overseas expansion prospects to sustain growth. SpiceJet should concentrate on cost reduction and operational effectiveness, whereas Vistara should broaden its network and enhance the customer experience.

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