

### **Indian Aviation Industry**

UDAN scheme yet to realise its full potential

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### **Highlights**



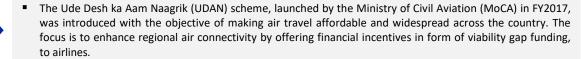


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The UDAN scheme, launched in FY2017 to promote regional air connectivity and make flying affordable for the masses, is yet to realise its full potential.

The penetration of UDAN (measured by passenger traffic on UDAN routes as % of total domestic passenger traffic) has remained subdued at 1-4% over FY2018–FY2024.







As of August 2024, a total of 583 routes connecting 86 airports (including 13 heliports and two water aerodromes) have commenced operations in India under the UDAN scheme. The Government aims to operationalise 12 new airports across eight states and Union Territories (UTs) in near term under this scheme.



The UDAN scheme has, however, faced several hurdles in its implementation, resulting in relatively low penetration so far. A confluence of factors including low-capacity deployment by airlines on awarded routes, delays in commercialisation of new airports (primarily targeted to enhance regional connectivity) and other infrastructure related bottlenecks can be attributed to the above. These factors, coupled with financial sustainability issues for a few airlines and limited fleet availability, have hindered the scheme's ability to fully realise its objectives of enhancing regional connectivity and making air travel affordable. Accordingly, it is estimated that only about 41% of the awarded routes commenced successfully till UDAN 5.0.



■ The air passenger traffic under the UDAN scheme has been relatively volatile. For instance, while it grew from 2.63 lakhs passengers in FY2018 to 33.00 lakhs in FY2022, it declined to 18.13 lakhs in FY2024 due to the expiry of 3 years for the prior period routes commenced and subsequent lower routes awarded in FY2023 and FY2024 under the UDAN scheme.



Despite relatively muted response so far, UDAN has the potential to transform regional connectivity, boost tourism, trade, and employment. However, overcoming the infrastructure challenges, ensuring financial sustainability of airlines operating under UDAN, and expanding route networks are crucial for the scheme's success.



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