

Indian Aviation Industry

UDAN scheme yet to realise its full potential

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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.



- The Ude Desh ka Aam Naagrik (UDAN) scheme, launched by the Ministry of Civil Aviation (MoCA) in FY2017, was introduced with the objective of making air travel affordable and widespread across the country. The focus is to enhance regional air connectivity by offering financial incentives in form of viability gap funding, to airlines.



- 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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Analytical Contact Details

Name	Designation	Email	Contact Number
Mr. Shamsher Dewan	Senior Vice-President and Group Head	shamsherd@icraindia.com	0124-4545 328
Ms. Kinjal Shah	Senior Vice President and Co-Group Head	kinjal.shah@icraindia.com	022-6114 3442
Mr. Suprio Banerjee	Vice President and Sector Head	supriob@icraindia.com	022-6114 3443
Mr. Roshan Dugar	Senior Analyst	roshan.dugar@icraindia.com	020-6606 9924
Mr. Karan Gupta	Senior Analyst	karan.gupta@icraindia.com	022-6114 3416





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Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development - Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development - Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – Corporate Sector - West & East	vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





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