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Impact of Privatization on Airlines

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Abstract: ***The purpose of this paper is to study and identify the factors such Boarding and clearance time, Ease of E-ticketing and luggage capacity and their effect on Customer Preference in the airline. This study examines the underlying forces of service quality influences on passenger's satisfaction in aircraft transport. The study examines which dimensions have a positive influence on service quality and which dimensions have the most and least important impact on service quality in international air travel, as perceived by airline passengers, thereby ultimately targeting maximum monetary benefits. It is a qualitative research based on subjective examination of behavior, attitude & impressions. The simplification of research support is mainly based on group discussion of respondents. The data was collected through a Focused Group Discussion. Two FGD's each consisting of 10 participants were recorded. The findings show that how the customers preferred one airline to others because of its quality, pricing and technology and frequency of flights. The participants talked much in depth about the quality and the treatment by staff inside the airplane. They also mentioned the details about the slowdown and fallout of the airline sector in India. The limitations are that it is constraint only to Mumbai. The participants lacked knowledge of the working of the airline industry as they did not travel frequently through airplanes.***

Keywords: Quality, Preference, Technology, Pricing, and Punctuality

I. INTRODUCTION

The civil aviation industry in India has emerged as one of the fastest growing industries in the country during the last three years. India is currently considered the third largest domestic civil aviation market in the world. India has become the third largest domestic aviation market in the world and is expected to overtake UK to become the third largest air passenger market by 2024.The aviation sector has become the most important segment in the economic development of a nation. It plays a vital role in moving people or products from one place to another, be it domestic or international, especially when the distances involved are far. Stiff competition and favorable initiatives of the Government of India added fuel to enlarge both flights and fleets. Air Deccan was the premier airline, which offered low tariff to the domestic as well as international destinations and created a new landmark in aviation sector in India. Now ordinary citizens easily access the aviation service from their respective air terminals. In a highly competitive environment, the provision of high-quality services to passengers is the core competitive advantage for an airline's profitability and sustained growth. In the past decade, as the air transportation market has become even more challenging, many airlines have turned to focus on airline service quality to increase service satisfaction. Service quality conditions influences a firm's competitive advantage by retaining customer patronage, and with this comes customer loyalty.

Privatization in the airline business however, presents a variety of distinctive options These distinctive options emanate from aspects such as the intensive framework of regulation that has associate all-pervasive Impact upon the operations and methods of airlines; the substantial amounts of capital needed by airlines;(he high degree of labor Intensity of the airline business ensuing from airlines being a service business; as well w the extent of the public profile of the Industry. There square measure however, factors that would facilitate privatization of the airline business. In explicit, even though state-owned airlines could type associate Integral half of the public sector, these airlines have clearly the outlined Identity of a business enterprise. The outstanding public profile of the airline business additionally appears; in some extensive Interest from the Investment community.

Due to the actual fact of being the quickest mode of travel, aviation trade is being used as a most popular mode of travel and therefore making an outsized chunk of revenue for the economy. Asia is one among the regions wherever the travelling is being used by several residents for the primary time to travel abroad and therefore aviation trade has a lot of opportunities to get a lot of revenues and jobs for the region. Aviation trade brings individuals along like families, friends and business colleagues. It additionally creates a platform wherever individuals meet to share ideas one another. It's created travel thus short and versatile that travelers will reach to their destination among twenty-four hours. And it's turned our massive planet into a tiny low world filled with terrific opportunities. Although there are few major challenges additionally in aviation trade like safety, convenience, environmental and financial sustainable.

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A. *Research Objective*

The main objective of this research report is

1) To study the benefits of airlines being private.
2) To establish a framework for airline privatization. A set of propositions was developed from analytical consideration of the characteristics of the airline Industry, as well as from an evaluation of the theoretical and practical considerations of privatization in general
3) To identify some of the peculiar aspects appertaining to privatization in the airline Industry.
4) To make a contribution to the evolving literature based on privatization, particularly with regard to the airline Industry.

B. *Research Question*

Failures of Public Airlines

The airline is struggling to pay its pilots and has reportedly failed to make payments to the owners of its leased aircraft.

Too much of government intervention in public airline management.

The Centre allows 100% FDI in airlines, but has capped it at 49% if a foreign carrier wants to invest in an Indian firm. Aviation is a highly capital-intensive business and FDI curbs prevent it from acquiring new technology and best practices. Airlines pay several charges to airport operators, both private and AAI, besides separate charges for landing, route navigation, parking, terminal, fuel and royalty. Larger and heavier a plane, higher are the charges. Airlines have to send their planes abroad due to lack of maintenance, repair and overhaul facilities in India, but get no input credit for taxes paid abroad.

II. LITERATURE REVIEW

Privatization refers to a process of transfer of ownership and management by public sector to a private sector firm or an individual. Privatization of a firm leads to either improved performance better, customer experience, or generate sales revenue for the government. Government Regulations refers to certain laws that exists in order to protect people and country from being exploited by the businesses. Quality means a certain attribute or a characteristic that is possessed by a something. Preference is something that a person has a better choice over something else. For practical purposes the organization of knowledge is known as technology. The happening of a certain occasion precisely on time which was previously decided. Pricing is an important factor from a customer perspective because it refers to an amount that has to be paid for any service used or availed.

A. *Government Regulation (Independent Variable)*

An independent variable is a variable in research that causes a change -- or is presumed will cause a change -- to other variables in the research conducted. Scientists can control the independent variable to monitor those changes or he can presume a change and look for evidence of those changes to the other variables. The independent variables will impact the results of the dependent variable. Those variables may include the amount of water present, the use of fertilizer, the amount of fertilizer used, and temperature; the amount of exposure to sunlight will also affect the dependent variables

1) Michael Carney and Keith Mew, (2003) conducted a research on Airport governance reform: a strategic management perspective concluded that effectiveness of different governance modes depends on national institutional context.
2) Daniel Albalate, Germá Bel, R. Richard Geddes (2015) on determinants of contractual choice for private involvement in Infrastructure projects depends on various factors of government.

B. *Service Quality (Dependent Variable)*

Dependent variables are what researcher's measure for in research studies. Dependent variables are not manipulated by researchers, as with independent variables. Dependent variables are the measurements or outcomes of interest that are being studied. Researchers often hypothesize that as a result of an independent variable (that they are manipulating), a change in the dependent variable (that they are measuring) will occur.

The reason we have chosen dependent variable as quality because quality is the most important factor for private airlines. Because of tight government regulations, focusing on quality is a major issue.

1) R. Archana and Dr. M.V. Subha (2012) conducted a study on Indian Airlines on basis of service quality and passenger satisfaction found three dimensions' in-flight service, in-flight digital service and back office operations are positively related to service quality in air travel.
2) Yasir Ali Soomro, Irfan Hameed (2012) found in their research that Boarding and ease of E-Ticketing positively impact consumer preference and purchase intention.

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To make our research more feasible research on similar lines was conducted by **Daniel Albalate, Germá Bel, R. Richard Geddes (2015)** on determinants of contractual choice for private involvement in Infrastructure projects.

On the debt laid national carrier Air India the government is making great efforts to make it more attractive to bidders. Aviation secretary Pradeep Singh Kharola indicated that the government's decision to retain partial stake in the national carrier coupled with huge debt prevented potential investors to bid for the debt-ridden airline. The major lesson was that time we said that only 76 per cent of Air India will be disinvested and rest 24 per cent will be retained by the government. At the India Economic Conclave 2019 Sandeep Kharola said it is better to have a disinvestment of 100%. To make the disinvestment more attractive, the carrier has already transferred Rs 29,474 crore of debt to Air India Assets Holding Ltd (AIAHL). Air India owns over 60 planes of the total which are good assets. They said the amount of Rs 2,400 crore is part of the Rs 7,600 crore guarantee that was to be provided to the airline in the current fiscal. The Indian Aviation Industry is currently one of the fastest growing aviation industry in the world. The aviation industry in India has a compounded annual growth rate of 18%. There are 454 airports and airstrips in India, of which 16 are designated as international airports. As of May 2006, private airlines accounted for more than 75% of the sector of the domestic aviation market. With an increase in traffic movement during December 2009 the Indian aviation sector saw an increase in revenue by almost US$ 21.4 million. Moreover, the Airport Authority of India seems set to accrue better margins in near future as per the latest estimates released by Ministry of Civil Aviation. The better returns so mentioned are being primarily attributed to increase in the share of revenue from Delhi International Airport Limited and Mumbai International Airport Limited.. The increase in passenger marked a growth of 19.2% for the mentioned period. Some of the factors that have resulted in higher demand for air transport in India include the growing purchasing power of middle class, low airfares offered by budget airlines, the growth of tourism industry, increasing outbound travel from India and overall economic growth of India.

There are even talks going on between India and United States to make the country an aviation hub. The Airport Authority of India is set to spend over US$ 1 billion in 2010, towards modernization of airports. The civil aviation ministry has also converted Delhi airport into an international hub for passenger airlines to help the airport utilize large amounts of additional capacity. The investment policy of India in aviation industry currently allows FDI up to 100% under the automatic route for green field projects and for existing projects, FDI up to 100 % is allowed; up to 74% under the automatic route and beyond 74% under the government route.

Despite the slowdown and slow recovery, Indian Aviation industry sector still continues to look promising. This is primarily due to the burgeoning middle class with increasing massive purchasing power, low cost carriers providing services at very attractive low fares, the growth of Indian tourism and increasing outbound travel from India. In addition, the Government has planned to modernize non-metro airports, phasing out new international routes, putting into place new airports and renovating existing ones. Experts are estimating the growth of industry as high as 25%. Since 2006, most of the major Indian airline operators such as Air India, Indian Airlines, Jet Airways and Kingfisher Airlines have reported large losses, reason being high aviation turbine fuel (ATF) prices, rising labor costs and shortage of skilled labor, rapid fleet expansion, as well as intense price competition. Adding to all these problems are the new players entering the industry even before the existing players could stabilize their operations. As a result, all the airlines suffered even further when the recession hit.

Even then also the Indian aviation industry has been more prone to crisis as compared to their global counterparts and thus, India has the highest passenger growth rate among all the airlines sector in the world including economies like France and Australia.

III. RESEARCH METHODOLOGY

It is a qualitative research based on subjective examination of behavior, attitude & impressions. The simplification of research support is mainly made on the basis of group discussion of respondents.

1) Method of Data Collection
2) Primary Data: It was collected based on Focused Group Discussion. A formal discussion was conducted and audio of the respondents was recorded.

A. *Sampling Method*

The sampling method used is convenience sampling wherein we have recorded views and experiences of people of various age groups who were easy to reach or contact and discussed various aspects of airline industry**.**

Total number of respondents = 20 (10 each FGD)

Number of Focused Group Discussion=2

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ATTRIBUTES	DISTRIBUTION	SAMPLE NUMBER
Gender	MALE	11
	FEMALE	9
Age	18-25	11
	25-40	7
	40 and Above	2
Profession	STUDENTS	16
	BUSINESSMAN	4

IV. DISCUSSION

The analysis is being done for the following focused group discussion on Privatization of Airlines. The Discussion was being done on the basis of discussion guide Quality, Preference, Pricing, Punctuality and Technology. The Focused Group is being begin by the point of knowing about airline and airline industry. Participants did share their knowledge and experience about the airlines and airlines industry. They put forward the points and stated that how due to the introduction of new technology being introduced by the airlines industry and how the introduction of airbus has helped the airlines to focus on the comfort part of the Customers. The concern is regarding was related to the comfort been provided in the private airline and public owned airline. As the participants discussed the pros and cons on the matter of comfort, it been cleared that private owned airline is much better than the public owned as the private owned are much better on the basis of technology, price, quality, preference and punctuality.

A. Preference

The Discussion also covered the point of Preference as the participants also talked about which airlines do, they prefer as in private or public. The participants did give pros and cons of both the airlines and told about how the government owned airlines are being supported by the government and how all the deficit losses is being bared by the government which is being running on our hard earned money which we pay to the government in the form of taxes. Whereas, the private airlines have to deal with the problems of bearing losses and not getting any support from the government when the company is being in a bad condition. The participants also told about how the income of the customers also helps in deciding the preference, as if we compare government airlines are much cheap as compared to the private airlines, as the demand of airlines leads to the price fluctuation and hence, it results in selection of airlines in accordance with the income. privatization of airlines is good so if it is controlled by government so it is Monopoly and if it is because of privatization there are various forms competition and you too competition the come up with different pricing strategy and provide better customer service to capture the market shares of privatization of airlines is a better thing then government in the government they are better in to cater to audience o railway is majorly control by government so that they are not able to cater to reservation of the people and their is waiting of a long period of time is a very much flexibility in the pricing of the forms and access to the islands.

B. Pricing

Pricing is being done by the airlines on the basis of the airlines which they are. The government owned airlines are being supported by the government and hence, the government wants to provide the customer service in low fares as compared to Private airlines. Private Airlines are being owned by the private individuals or groups hence, all the decisions related to pricing depends on the market demand forces and on the analysis of the owner. The pricing is normally high then the government airlines but depends on the demand as the demand of flights goes down then the price goes down and vice-versa. privatize anything the advantage goes to end-users which is the customer eventually lead to less price less fair and faster accessibility and better service for airlines so which is the ultimate goal of any company

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C. Punctuality

People travel from flights not because it's a status symbol but they want to save time and reach their respective destination quickly. The punctuality is another area where the airline industry revolves around. As the current situation in the country, people want to save time and invest it to get higher result. The punctuality of airlines which are government owned is quite low as compared to those of privately owned airlines and hence the punctuality factor was been taken in consideration and was been discussed by the participants.

V. RESEARCH FINDINGS

The Research was being conducted on Privatization of Airlines. The Discussion was being done on the basis of discussion guide Quality, Preference, Pricing, Punctuality and Technology. There were a lot of information that was received after conducting the research. The first thing we got to know about how the government owned airlines are being supported by the government and how all the deficit losses is being borne by the government which is being running on our hard-earned money which we pay to the government in the form of taxes. Whereas, the private airlines have to deal with the problems of bearing losses and not getting any support from the government when the company is being in a bad condition.

We also to know about how the income of the customers also helps in deciding the preference, as if we compare government airlines are much cheap as compared to the private airlines, as the demand of airlines leads to the price fluctuation and hence, it results in selection of airlines in accordance with the income. Privatization of airlines is good so if it is controlled by government so it is monopoly and because of privatization there are various forms competition. And that private competition come up with different pricing strategy and provide better customer service to capture the market shares of privatization of airlines is a better thing then government in the government they are better in to cater to audience.

The government owned airlines are been supported by the government and hence, the government wants to provide the customer service in low fares as compared to Private airlines. Private Airlines are being owned by the private individuals or groups hence, all the decisions related to pricing depends on the market demand forces and on the analysis of the owner. The pricing is normally high then the government airlines but depends on the demand as the demand of flights goes down then the price goes down and vice-versa.

For comfort and luxury people mostly go for the private airlines as compared to the government owned airlines. It clearly states that majority of people want quality service to be provided by the airline in terms of quality food, comfort by the staff and crew members, cleanliness etc. It's also been observed that people want to spend less and want more benefits in less price. Most of the airlines have optimized their core ticket cost. The company public airlines are comparability less but the service is being compromised by the company where as in private the companies are trying to provide more benefits by optimum pricing.

The airline industry revolves around. As the current situation in the country, people want to save time and invest it to get higher result. The punctuality of airlines which are government owned is quite low as compared to those of privately owned airlines and hence the punctuality factor was been taken in consideration and was been discussed by the participants.

Technology is being great advancement for many industries and it has helped the airline industry as well. The private airline is being investing a lot of money to get advance technology which will help in getting better output as compared to the government airlines. Many people now days rely on the private airlines as the private companies have more number of flights and hence, they offer preference to the customers to choose accordingly and whereas in public airlines the availability of flights are less in comparison to the private owned airlines.

VI. RECOMMENDATIONS

A. After conducting the research, we recommend that privatization of airlines is more viable than public.
B. Public Airlines should improve their service quality to attract more customers.
C. Private Airlines are more organized and strategically planned. Public Airlines need to be more strategically planned.
D. Public airlines should inculcate more advanced technologies for boarding and travelling purposes
E. For further research purpose the person can conduct a greater number of focused group discussion for detailed information.

VII. PRACTICAL IMPLICATIONS

A. This data would be helpful for investors to identify better choice of investment in Indian Airlines.
B. This data would help government in framing better and effective policies of customer service.
C. It helps private airlines industry to attract customers, and direct their focus towards their weak areas.

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VIII. LIMITATIONS

A. Data collected is very limited to generalize the whole objective of the study. Our objective limits the study of airlines industry in India and how privatization is preferred in general.

B. The sampling method used is convenience sampling.

C. The respondent's perception, opinions and behavior might change with changing time and preferences.

D. This is a **pure** qualitative research without any quantitative data support. This study only can provide the reasons why listed companies being taken private. For example, in this study we find out that listed company go private because their share price is undervalued, however, there is no quantitative data such as financials, and the possibility of the listed company being taken private will be higher. Hence, that will be better for a research using qualitative data to address 'What', 'Why', 'How' questions, and also using quantitative data to address 'To what extend' questions.

IX. CONCLUSION

It is undeniable that impact of privatization on Indian airlines are surrounded with various other factor. Privatization of airlines would not be easy enough where marketing focuses on matching customer with the product or services or that satisfy some of their need. Essential elements of marketing include analysis of the target market and the airline industry do so by analyzing the key economic factor influencing its quality, technology, service, comfort telecommunication sector by their own ways. Technological factor includes development whereas somehow some want new construction on material and advanced airline designing. Analysis of targeted customers and identification of customer group which have similar needs are (regular flight, international flight).

The combination of services where the prices are on the basis of (economic class, business class, first class) customer service and segmentation is performed according to characteristics on the basis of (age, family, status, gender, occupation) purpose of flight as well as their offers.

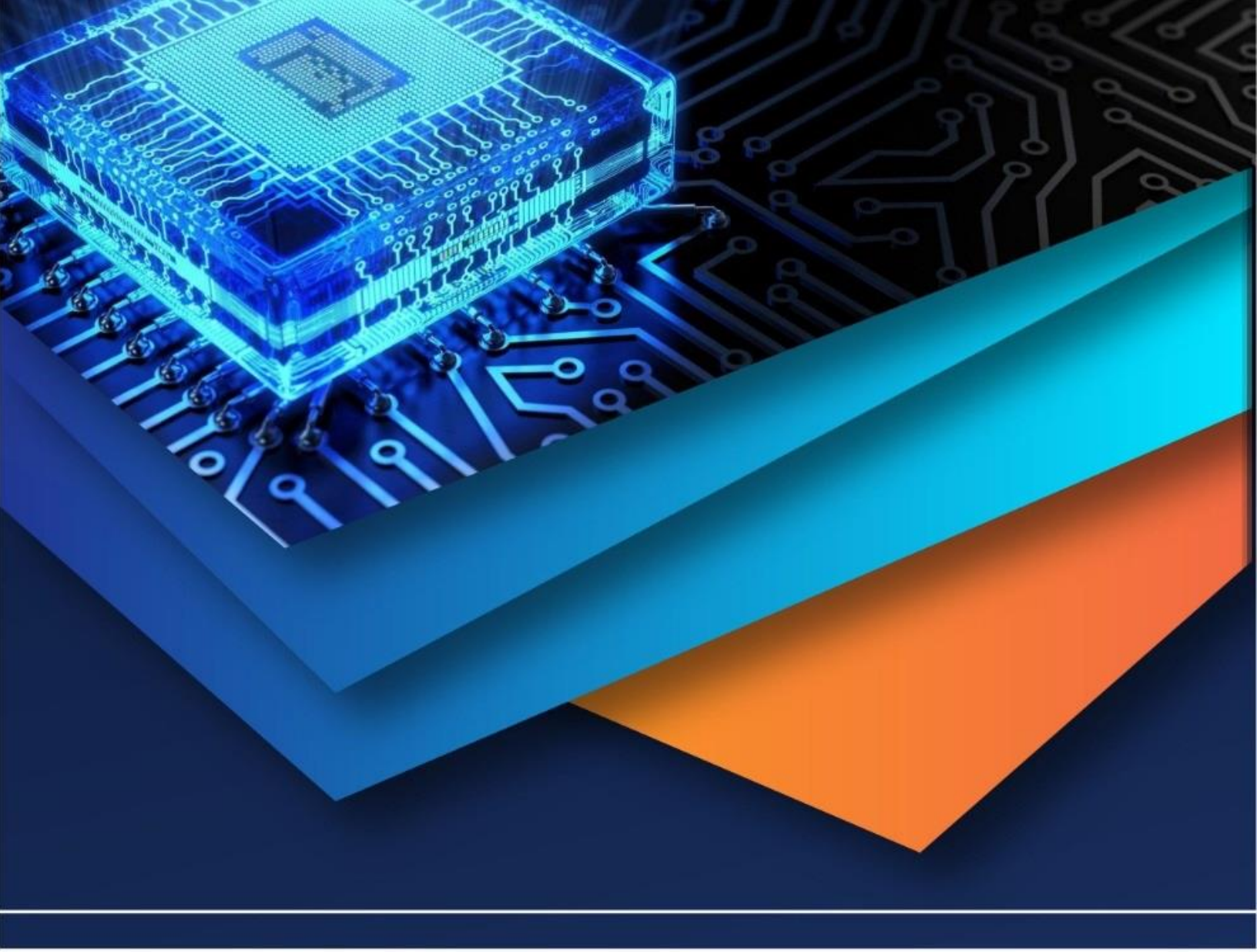
In terms of pricing, private airlines on an average charge higher prices but this difference is explained by the targeted group on the basis of geographic location. The analysis of airline industry shows that the key external factors influencing the market price are quality, price, preference, technology, punctuality and moreover, international regulation, technological change and customer preference. Airline companies do offer differentiate customize service for differentiated market segment such as private airline belongs to the category of lower cost as well as different marketing perspective for local customer focusing more on international customer.

Private airline offers and focuses on price sensitivity customer and positions itself as convenient provider of local flight at cheaper cost. Private airlines also target young and modern generation. Flight service with many entertainment features and superior customer experience a reasonable cost.

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