Chapter–VI

Conclusion and Findings
Main Findings:

In a vast country like India which still has areas where rail and road transport are practically non-existent, air transport plays a major role in the transportation system of the country. Over the years, Civil Aviation has undergone a large scale transformation. There has been a sustained effort to support and argument the existing network of airlines through prespective planning, modernisation and development of infrastructural facilities taking into account the future role of air transport in the planned development of the country.

Air India Limited and Indian Airlines Limited are catering to the international and dometic air traffic respectively. Vayudoot's network, which acts as a feeder line, links remote places with the main stream of commercial/ industrial cities and townships. Another operator, Pawan Hans is involved mainly in offshare operations. The formation of Indian Airlines & Air India by nationalization of private airlines as done in August 1953. Performance appraisal of both Air India & Indian Airlines has been analyzed in the present study. After analyzing of the data we are in a position to summarise the broad findings of the study. These findings are discussed to ascertain essential determinants for effective control on human resource management, physical performance and financial performance of both the airlines. The major findings of the study are as follows:
Growth & Development of Civil Aviation in India:

Air transport have important consequences for a national economy. It plays major role in the transportation of high value cargo. We cannot estimate the exact data on which aeroplane was flown in India for commercial purposes but it can be fairly established "That in 1911, a Frenchman, Monseigneur piquet flew the first airplane on commercial errand carrying postal mail from Allahabad to Naini. It was indeed an accident that scheduled commercial air transport came in India in 1929-30. The three imperial powers of Europe the British, the French and the Dutch extended their empire air routes to and cross Indian subcontinent. On 13 October, 1932 India's first airmail services took to the skies. In Indian Civil Aviaton started in 1920 with the construction of some aerodrome by the Govt. The air services is now mapping the world nearer and smaller day to day. These services has gone so deep rooted today that it is impossible to think a world without aeroplane. In 1946, under the new licensing policy a licensing Board was set up which issued license to eleven air companies viz., A.I. Ltd., I.A. Ltd., National Airways, Air services of India, Deccan Airway, Dalmai Jain Airways, Bharat Airways, etc. The Air corporation, Act 1953 was passed by the parliament and made effective from 28 May 1953, which paved the way for the nationalization of air services in the country with the formation of two corporation.

During the year 2004-05 air transport witnessed a very high
growth of above 24%. The Government is therefore, convinced that an average growth rate of 16% P.A. is achievable by 2010. Such growth can be achieved with a paradigm shifts towards greater liberalisation & significant private sector participation in infrastructural development.

**Human Resource Management:**

Human Resource management is a series of integrated decisions that form the employment relationship; their quality contributes to the ability of the organisations and the employees to achieve their objectives. The success of an organization depend upon it's people, if they give their best, the greatest obstacles in other fields can be overcome. To recruit capable and experienced employees and to retain them by keeping up their morale & motivation is a vast problem among any organization. It is tried to review the important aspect of human resource management of Air India Ltd. & India Airlines Ltd. including recruitment, selection, training, motivation, labour management relation and employees participation in management. Civil Aviation is the costliest, modern and advance technologically means of transport system thus human factor becomes the most important in A.I. & I.A. Ltd. recruitment of employees is made according to the rules laid down by the government. Recruitment is made from both of sources internal & external sources. Recruitment from internal source is in the form of promotion and all junior cadre vacancies are filled solely from the external source. Training is also an important factor in civil aviation. The
flying training for pilots of both the companies is provided by (IGRUA). The academy was established to provide an opportunity to trained pilots to achieve higher standards in flying and ground training. The Academy is equipped with modern and sophisticated trainer aircraft, flight simulators, computer based training system, own ATC, runway air space. Flying training is conducted on Trinidad TB-20 single engine and king Air C-90 A twin engine turbo prop executive class aircraft, fitted with modern instruments and avionics. The academy has trained more than 376 fixed wing pilots & 20 Rotary pilots of Indian & foreign origin till now. Refresher training on simulators has also been imparted to 146 individuals. It has trained 42 non-institutional pilots on multi engine endorsement. Motivation is another important factor in human resource management. Various facilities have been provided by A.I. & I.A. Ltd. to motivate their employees to give their best. The facilities are:

(a) Staff welfare Activities (b) Medical services (iii) Awards (iv) Co-operative Societies (v) Computerization (vi) Welfare of minorities (vii) Welfare of SCs/STs/OBC (viii) Women welfare (ix) Administrative & staff Grievance Redressel (x) Centers & other facilities.

Cordial relation between labour & management is another important factor. Both management & labour leaders must try to create conditions so that employee can give their best. A.I. & I.A. Ltd. are big organization including large number of employees. Staff strength of Air India as on 2004-05 is 15914 employees while I.A. was 18504
employees. Preference is provided to schedule caste & schedule tribe employees as per norms/quota fixed by the govt. In the year 2004-05. There was 2614 schedule caste employee 1171 schedule Tribe employees in A.I. while 3557 schedule caste & 1171 schedule tribe employee in I.A.

**Physical Performance:**

Physical performance has a great impact on financial performance of an transport undertaking. To know whether the organisation was employed it's operating capital efficiently it is essential to assess the physical performance of both the airlines. The parameters used to evaluate the physical performance of both the airlines are (i) Fleet Utilization (ii) Average Aircraft Utilization (iii) Passenger load factor (iv) No of passenger carried (v) Traffic forecast (vi) Fuel consumption.

The first parameter fleet utilization of A.I. & I.A. has increased very slow during the study period. Fleet utilization is calculated by dividing the number of revenue hours by an aircraft by fleet strength. The revenue hours flown by A.I. in the year 2004-05 is 126744 while I.A. is 162005. Fleet utilization in a transport undertaking is affected by two factors (i) Maintenance policy (ii) Replacement policy. Good maintenance policy is must for Indian Aviation Industry to provide the maximum number of aircraft at appointed time and at a minimum cost. On the other hand good replacement policy is needed to extend the life span of the aircrafts.
Average aircraft utilization is the revenue hours put in by an aircraft on a single day. The increase in rate of aircraft utilization shows better utilization of resources and decrease shows poor utilization of resources. Both airlines companies show low aircraft utilization, the reason for this is (i) usage of older aircraft & poor maintenance and replacement policy. For improving aircraft utilization rate following points should be considered: (i) replacement of old aircrafts with new more efficient aircraft (ii) Diversion of aircraft for other purposes (iii) Avoidance of strikes by pilots & copilots. (iv) Good maintenance policy (v) Proper repair system.

**Financial Performance:**

Financial performance is an important part of an organization structure. Financial structure includes both long term and short term funds. It also includes all forms of debt & equity both. To evaluate the financial performance of A.I. & I.A. Ltd. following parameters have been taken into consideration viz. capital structure, Fixed assets analysis, working capital, profitability, Foreign exchange earnings, fare structure, overall financial performance, etc. The capital structure of Air Corporations of India consists of equity capital reserve and surplus and long term borrowings. Equity capital & loan capital is provided by the Government of India without any fixed time limit for repayment of loan. Air India as on 2004-05 had an equity capital of Rs. 153.84 crores. The equity capital shown constant continuous upward trend. Indian Airlines
shows is 105.19 crores equity capital in the first two years (1995-96 to 1996-97). In 1997-98 and additional equity capital of Rs. 1.75 crores took place. These increase were essentially to adjust with the heavy losses suffered by the company. The reserve & surplus showed an upward trend in case of Air India Ltd. while in case of Indian Airlines also the reserve and surplus shows continuous increase year after year during the period of the study. In case of net worth, I.A. showed increasing trend, long term borrowing also shows increasing trend. But it is decreased & remain Rs. 3973.60 crores in the year 2004-05.

Air India shows increasing trend in the case of net worth & decreasing trend in the case of long term borrowing. All over the analyses of capital structure shows better financial position of both the companies. Fixed Assets are used for producing goods & operating the business. In the present study efficiency in used of fixed assets & financing of fixed assets are being studied in order to attain the financial performance of both the companies. The data analysed shows that Air India Ltd. could not generate proportionately revenue to maintain the increase in fixed assets. In the case of I.A. Ltd. the company utilized their fixed assets to generate higher revenue. Only in the year 1945-96 & 1996-97 the company fails to maintain this proportion.

Analysis of the size of working capital in an organisation helps in reviewing the day to day needs of the business. A satisfactory level of working capital provide a reasonable margin of safety. Working capital
in case of Air India is positive only in two years 1995-96 & 1997-98 except these two years Air India show negative working capital in eight years of the study period. In case of Indian Airlines the working capital shows negative trend in ten years of during the study period that means current liabilities always exceeds to current Assets. It shows that management of A.I. & I.A. is not in a good position to meet it's current obligations.

The pace of transmulation of working capital was positive in case of Indian Airlines Ltd. It was not nill during the whole period covered by the study.

The pace of transmulation of working capital in case of Air India was also positive as the transmulation of working capital was increasing during the first seven years of the present study but in last three years it starts declining.

Predominating share of receivable in the current assets is the main reason for slow transmulation of working capital in these two airlines.

Profit earning is the important indicator of financial soundness of any organization. Air India Ltd. has been earning profits in the last four year of the study but the company earned loss during the first six years of the study. In the case of Indian Airlines Ltd. earns loss in the first two years (1995-96 & 1997-98), but the company earns net profit in the preceeding three years (1997-98 & 1999-2000) of the study. Again the
company earn net loss during three preceding years & again earns net profit during the last two years of the study.

Fare structure is another important aspect in analysing the financial position of the two companies fares are continuously showing a rise since 1990. This increase in fares have a negative affect on the financial and overall performance of airlines. These two airlines was facing acute foreign exchange shortage & the Government worked over time to minimize outflow & maximize inflow of foreign exchange.

The foreign exchange earned by Air India and Indian Airlines plays an important part in decreasing the losses suffered by airlines. Both A.I. & I.A. Ltd. have been earning increasing amount of foreign exchange. The foreign exchange earned by Air India in the year 2004-05 is Rs. 17530.9 crore. On the other hand Indian Airlines earns Rs. 1515.02 crore.

Suggestions:

Air services has played an important role in any economy. Air transport system is not exception to this changing scenario, liberalisation process actually hasten the pace the privatization process. The present study indicates that a phenomonic growth in civil aviation has taken place. Both airlines Air India Ltd. and Indian Airlines Ltd. should appoint experts, to identify the areas which have scope for revamping in the training system. Cordial relation between labour and management must be there for smooth running of an organisation.
During the 10 years period of the study the companies have good relationship with their employees due to that industrial unrest and Industrial relations problem is not presented in the company. Both the airlines have uniform wage policy with reference to all its categories.

Human factor in flight safety is another important factor, more than 80% of accidents in civil aviation in India is taken place due to human factor. The management of flight safety programme should do away with the bureaucratic approach. The safety problem must be identified & implementation of the programme should be their to improve the system.

As regard to physical performance, both the companies must tried to improve their fleet utilization for this purpose better maintenance and replacement policy should be adopted. The basic aim behind this is to make available the maximum number of aircraft at proper cost in reasonable time. Regarding the post liberalisation scenario of the domestic air industry, it is necessary to modify the policies to encourage competition in real sense of the terms.

By revising the time schedule on time to time passenger load factor in both the companies can be improve. The decrease in passenger load factor is mainly due to the stiff competition with the private airlines after 'open sky policy' is adopted by the Government. Both the airlines should tried to provide better services & facilities in comparison with private airlines.
The hike in fuel cost is the big problem facing by both the companies, by replacing those old aircraft which are having high fuel consumption, with new aircraft's and by adopting efficient fare structure this problem can be also minimize at the extent. The government will also have to strengthen equity base of the airlines. The board should appoint efficient merchant bankers, to recommend new capital structure to convert a part of reserve into equity, higher the equity base of the company the greater is it's loan raising capacity, so more importance is given to equity structuring and expanding. Analysis of size of working capital show's that the management must have appropriate working finance to meet the obligation.

In order to have adequate working capital both the airlines will have to go in for efficient and quick transmulation of working capital.

The financial performance of the transport undertaking is effected by the financial policies and programmes. A detailed strategy has to be planned for improving the profitability. The government should initiate measure to make both the companies viable & vibrant experience. They should be given autonomy in their day to day working. In today's stiff competition both the companies must show the sign of good financial & physical management.

The best way to manage and run the airlines is it's merger. This is necessary to cope with the growing competition jointly with combine power.