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Modified UDAN Scheme — Rs 28,840 Crore for 100 Airports and 200 Helipads

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Modified UDAN Scheme — Rs 28,840 Crore for 100 Airports and 200 Helipads

The Union Cabinet, chaired by Prime Minister Narendra Modi, approved the Regional Connectivity Scheme - Modified UDAN (Ude Desh ka Aam Nagrik) with a total outlay of Rs 28,840 crore for a ten-year period from FY 2026-27 to FY 2035-36, marking the most significant overhaul of regional aviation policy since the original scheme was launched in 2016.

Background — UDAN Since 2016

The UDAN scheme was conceptualised under the **National Civil Aviation Policy (NCAP) 2016**, approved by the Union Cabinet on 15 June 2016. The scheme was formally launched on **21 October 2016** with the objective of making air travel affordable and strengthening connectivity to Tier-2 and Tier-3 cities across India. The first UDAN flight operated on **27 April 2017** from Shimla (Jubbarhatti Airport) to Delhi, inaugurated by Prime Minister Modi.

The scheme has evolved through multiple phases:

PHASE	YEAR	KEY FOCUS
UDAN 1.0	2017	128 routes awarded to 5 airlines across 70 airports (36 new)
UDAN 2.0	2018	Extended to 73 underserved/unserved airports; included helipads
UDAN 3.0	2019	Tourism-specific routes, seaplane operations, Northeast focus
UDAN 4.0	2020	Hilly regions, island territories, helicopter and seaplane services
UDAN 5.1	2023	Helicopter routes for difficult terrains and priority areas
UDAN 5.2	2023	Small aircraft operations, rural tourism support

India is the third-largest civil aviation market globally (4.2% of global air traffic) and the fastest-growing domestic air traffic market, with domestic passenger traffic reaching **161.3 million in 2024** (6.12% year-on-year growth). The number of operational airports has grown from **74 in 2014 to 157 in 2024**, with the government targeting 350-400 airports by 2047.

What Changed in Modified UDAN

The Modified UDAN addresses structural weaknesses of the original scheme through longer subsidy windows, direct infrastructure funding, and a challenge-based model for airport development.

PARAMETER	ORIGINAL UDAN (2016-2026)	MODIFIED UDAN (2026-2036)
Total Outlay	Approx. Rs 4,500 crore	Rs 28,840 crore
Duration	Phased (UDAN 1.0 to 5.2)	Single 10-year framework (FY27-FY36)
VGF Subsidy Period	3 years per route	5 years per route (tapered)
Airport Development	Through AAI/state governments	Challenge Mode — 100 airports from unserved airstrips
Helipad Development	Limited, ad hoc	200 helipads at Rs 15 crore each
O&M Support	Not structured	3-year support for ~441 aerodromes
Indigenous Aircraft Push	Indirect	Direct procurement of HAL platforms (Rs 400 crore)
Route Sustainability	~7-10% routes viable post-subsidy	Extended VGF (80-90%) tapered over 5 years

Component-wise Breakdown

The Rs 28,840 crore outlay is distributed across four major components:

COMPONENT	ALLOCATION (RS CRORE)	DURATION	DETAILS
Airport Development (100 airports)	12,159	8 years	Develop 100 airports from existing unserved airstrips via Challenge Mode
Viability Gap Funding (VGF)	10,043	10 years	Subsidy to airline operators for regional routes; 80-90% VGF tapered over 5 years
Helipad Development (200 helipads)	3,661	8 years	Modern helipads in hilly, remote, island, and aspirational districts at Rs 15 crore each
Operations and Maintenance (O&M)	2,577	3 years	Support for ~441 aerodromes; capped at Rs 3.06 crore per airport and Rs 0.90 crore per heliport annually
Total	28,840	10 years	

Additionally, Rs 400 crore has been allocated for the procurement of indigenous HAL aircraft and helicopters.

Viability Gap Funding (VGF) Mechanism

The VGF is the financial backbone of UDAN. It bridges the gap between an airline operator's cost of operating a regional route and the revenue generated from capped airfares.

- Under the original UDAN, airlines received VGF support for **3 years** per route, after which many routes became commercially unviable and were discontinued
- The Modified UDAN extends VGF support to **5 years per route**, with **80-90% funding in the initial years** that tapers gradually
- Total VGF allocation stands at **Rs 10,043 crore over 10 years** — the single largest component by duration
- The tapering mechanism is designed to allow routes to build passenger volumes and achieve commercial viability before full subsidy withdrawal
- VGF is funded by the **Regional Connectivity Fund (RCF)**, which draws from a levy on domestic and international flights

Challenge Mode for Airport Development

A significant innovation in the Modified UDAN is the introduction of **Challenge Mode** for airport development. Under this approach:

- **100 airports** will be developed from existing unserved airstrips across India
- Selection will be through competitive bidding, incentivising timely completion, quality, innovation, and sustainability
- This replaces the earlier model where airport development was handled primarily by the Airports Authority of India (AAI) or state governments, often facing delays and cost overruns
- The Challenge Mode aligns with the **NABH Nirman (NextGen Airports for Bharat)** initiative, which aims to expand airport capacity five-fold over 10-15 years

Performance of Original UDAN (2017-2026)

Over nine years of implementation, the original UDAN scheme delivered mixed results:

METRIC	NUMBER
Routes Awarded	925
Routes Operationalised (as of 28 February 2026)	663
Routes Discontinued	327 (approx. 49% of launched routes)
Airports/Heliports/Water Aerodromes Connected	95
Total Flights Operated	3.41 lakh+
Total Passengers Carried	1.62 crore (162.47 lakh)
Route Viability Post-Subsidy	Only 7-10%

While the scheme successfully introduced air connectivity to previously unserved regions and brought down fares (capped at Rs 2,500 for a one-hour flight under early UDAN rounds), the high route discontinuation rate and poor post-subsidy viability raised serious concerns flagged by the Comptroller and Auditor General (CAG).

Challenges Faced by Original UDAN

The original UDAN scheme faced several structural and operational challenges:

- **Post-subsidy collapse:** Over 90% of routes fell into disuse after VGF withdrawal, as the 3-year subsidy period was insufficient for routes to achieve commercial viability
- **COVID-19 disruption:** The pandemic severely impacted regional aviation, with many operators suspending services permanently on low-demand routes
- **Aircraft shortages:** India faces a shortage of small aircraft (9-19 seater category) suitable for short regional routes; airlines were forced to deploy larger jets uneconomically
- **Airport/runway constraints:** Many UDAN-awarded airports had inadequate runway length, terminal facilities, or night-landing capability
- **Low passenger demand:** Several routes in remote areas could not generate sufficient passenger traffic to sustain operations even with subsidies
- **Airline financial distress:** Regional carriers like Air Odisha, Air Deccan, and TruJet ceased operations, leaving awarded routes orphaned
- **Supply chain and maintenance issues:** Spare parts availability and maintenance infrastructure for small aircraft remained inadequate at Tier-2/3 airports

Indigenous Aircraft Component — HAL Dhruv and Dornier 228

The Modified UDAN includes a dedicated **Make in India** push for indigenous aviation platforms:

HAL Hindustan-228 (Dornier 228):

- A **19-seater twin-turboprop STOL (Short Take-Off and Landing) utility aircraft**
- Originally designed by Dornier GmbH (Germany); HAL acquired the production licence in **1983**
- Manufactured at **HAL Kanpur, Uttar Pradesh**; over **125 aircraft produced** to date
- Features advanced avionics and can negotiate rough weather and short runways
- Alliance Air operated India's first indigenous commercial flight using the Dornier 228 on **12 April 2022** from Dibrugarh (Assam) to Pasighat (Arunachal Pradesh)
- Ideal for UDAN routes connecting small towns with airstrips under 1,200 metres

HAL Dhruv (Advanced Light Helicopter):

- A **multi-role helicopter** designed and developed by HAL in Bengaluru
- Civil variant seats **12-14 passengers**; twin-engine, all-weather capable
- Operated by Pawan Hans for regional helicopter services
- Suitable for hilly terrain, island connectivity, and last-mile helicopter services under UDAN

Procurement under Modified UDAN:

- The Cabinet approved Rs 400 crore for procurement of **2 HAL Dhruv helicopters** (for Pawan Hans) and **2 HAL Dornier 228 aircraft** (for Alliance Air)
- This procurement addresses the critical shortage of small fixed-wing and rotary-wing assets in the regional aviation fleet
- It advances the **Atmanirbhar Bharat** vision by reducing dependence on imported aircraft for regional connectivity

Significance for Regional Development

The Modified UDAN scheme is positioned as a key enabler of the **Viksit Bharat 2047** vision:

- **200 helipads** in priority and aspirational districts will bring air connectivity to remote, hilly, North-Eastern, and island regions for the first time
- Enhanced connectivity supports **tourism, medical evacuation, disaster relief**, and economic development in underserved areas
- The O&M support for **441 aerodromes** ensures that airports developed under earlier phases remain functional and do not fall into disuse
- Reduced travel time from remote districts to state capitals and metro cities can transform governance delivery, healthcare access, and trade linkages

UPSC Angle

This topic is relevant for both Prelims and Mains:

- **GS3 (Economy):** Infrastructure development, civil aviation policy, VGF as a PPP tool, regional economic development
- **GS3 (Science and Technology):** Indigenous aircraft manufacturing (HAL Dornier 228, HAL Dhruv), Atmanirbhar Bharat in defence-to-civil technology transfer
- **GS2 (Governance):** Challenge Mode as a governance innovation, addressing Centre-State coordination in airport development, aspirational districts programme linkage

Mains question angles:

- “Critically analyse the performance of the UDAN scheme in achieving its stated objective of regional air connectivity. How does the Modified UDAN address earlier shortcomings?”
- “Discuss the role of Viability Gap Funding in infrastructure development with reference to the civil aviation sector.”

UPSC RELEVANCE

UDAN full form, launch year, first flight route, NCAP 2016, VGF mechanism, HAL Dornier 228 specifications, NABH Nirman, number of operational airports in India.

MAINS GS-3:

Regional connectivity and infrastructure; PPP models in aviation; Make in India in defence-civil aviation; challenges of regional airlines; economic impact of air connectivity on aspirational districts.

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MODIFIED UDAN SCHEME — CORE DATA:

Cabinet approval: 25 March 2026

Total outlay: Rs 28,840 crore

Duration: 10 years (FY 2026-27 to FY 2035-36)

Airport development: 100 airports from unserved airstrips (Rs 12,159 crore, 8 years)

Helipad development: 200 helipads at Rs 15 crore each (Rs 3,661 crore, 8 years)

VGF support: Rs 10,043 crore over 10 years; tapered over 5 years per route

O&M support: Rs 2,577 crore for ~441 aerodromes (3 years)

HAL procurement: Rs 400 crore (2 Dhruv helicopters + 2 Dornier 228 aircraft)

ORIGINAL UDAN PERFORMANCE (2017-2026):

Scheme launched: 21 October 2016; first flight: 27 April 2017 (Shimla-Delhi)

Routes awarded: 925; operationalised: 663; discontinued: 327

Airports/heliports connected: 95

Flights operated: 3.41 lakh+; passengers carried: 1.62 crore

Post-subsidy route viability: only 7-10%

NATIONAL CIVIL AVIATION POLICY (NCAP) 2016:

Approved by Cabinet: 15 June 2016

Parent policy of the UDAN scheme

Covers: regional connectivity, safety, bilateral traffic rights, MRO, air cargo, Make in India

INDIA CIVIL AVIATION — KEY NUMBERS:

Operational airports: 74 (2014) to 157 (2024); target 350-400 by 2047

Domestic passengers (2024): 161.3 million (6.12% YoY growth)

India is the third-largest civil aviation market globally

NABH Nirman target: expand airport capacity 5x in 10-15 years

HAL DORNIER 228 (HINDUSTAN-228):

Type: 19-seater twin-turboprop STOL aircraft

Original design: Dornier GmbH (Germany)

HAL production licence: 1983; manufactured at HAL Kanpur

Total produced: 125+ aircraft

First commercial flight: 12 April 2022 (Dibrugarh to Pasighat, Alliance Air)

HAL DHRUV (ADVANCED LIGHT HELICOPTER):

Designed and developed by HAL, Bengaluru

Civil variant: 12-14 passenger capacity

Twin-engine, all-weather, multi-role helicopter

Operated by Pawan Hans for regional services

VGF MECHANISM:

Full form: Viability Gap Funding

Bridges gap between airline operating cost and capped fare revenue

Funded through Regional Connectivity Fund (RCF)

RCF sourced from levy on domestic and international flights

Original UDAN: 3-year VGF; Modified UDAN: 5-year VGF (tapered at 80-90%)

OTHER RELEVANT FACTS:

Pawan Hans: Government helicopter service operator (used for UDAN heli-routes)

Alliance Air: Regional airline subsidiary (operates Dornier 228 on UDAN routes)

Aspirational Districts Programme: NITI Aayog initiative targeting 112 underdeveloped districts

UDAN fare cap (early rounds): Rs 2,500 for a one-hour flight

CAGR of domestic air passenger traffic (2014-2024): 9.7%

Challenge Mode: Competitive bidding model for airport development (new in Modified UDAN)

Sources: [PIB](#) , [Business Standard](#) , [BusinessToday](#) , [DD News](#)

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