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EVALUATION OF THE INFLUENCE OF THE COVID-19 PANDEMIC ON THE FINANCIAL STABILITY OF AIRLINES WITH DIFFERENT BUSINESS MODELS

Abstract:

The Russian airline market became the first in the world to record the positive revenue growth per passenger-kilometer in 2021 after a sharp decline in passenger traffic a year earlier. This indicates its gradual recovery after the biggest crisis in the history of aviation. The purpose of the article is to assess the financial stability of the Russian airlines over the past three years: 2019 (pre-COVID-19), 2020 (COVID-19) and 2021 (post-COVID-19) based on the applying of the three bankruptcy likelihood prediction models (Altman's Z-score model for emerging markets, the AIRSCORE model of Chow et al., and the P-model of Pilarski and Dinh). The analysis was conducted for the 4 airlines - Aeroflot, Pobeda, Smartavia and NordStar - each of them having a different business model that they follow (national flag carrier, low-cost carrier, ultra-low-cost carrier and regional carrier, respectively). It should be noted that during the study period there was the rapid growth of low-cost carriers, even during the COVID-19 crisis. Traditional (full-service) airlines, on the contrary, had negative dynamics both in terms of operational and financial indicators. Calculations of bankruptcy models showed that low-cost airlines were more financially stable during the COVID-19 pandemic, while full-service air carriers experienced uncertainty during 2020 and only gradually recovered in 2021.

Keywords:

COVID-19 pandemic; aviation sector; airline market; full-service carriers; low-cost carriers; financial stability; bankruptcy likelihood prediction models; financial analysis; financial indicators

JEL Classification: L93, G30, G32