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Operation Sindoor and Rebalancing the Defence Budget

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About the Occasional Paper

This paper examines the hard lessons emerging from Operation Sindoor and links them to the urgent question of how India must rebalance its defence budget to meet future conflict realities. Operation Sindoor, though brief and currently in pause mode, has already reshaped India's strategic thinking by exposing both strengths and critical vulnerabilities in a potential two-front collusive scenario. This paper argues that while the operation showcased national resolve and deterrence credibility, it has simultaneously underlined the need for accelerated modernisation of the armed forces. Given the capital-intensive nature of induction of next-generation aircraft, missiles, drones, naval assets and surveillance platforms, this paper stresses that the fiscal response cannot be business as usual. With the Defence Budget 2025–26 as a baseline, it highlights the imbalance between capital and revenue expenditure and points to longstanding structural constraints such as pension liabilities, maintenance needs and slow procurement cycles. This paper also evaluates whether compression of revenue heads is feasible and concludes that meaningful modernisation will require calibrated increases in overall defence allocation as a percentage of Gross Domestic Product. In doing so, it positions Operation Sindoor as both a wake-up call and a policy inflection point for funding preparedness, capability development and indigenous defence production.

Introduction

Operation Sindoor, presently in pause mode, has been a rallying point for national unity and rejuvenation of national pride amongst Indians. More than a skirmish with Pakistan and short of a war, the Operation has already carved out a niche for itself in history, being instrumental in redrawing India's red lines against terrorism and putting its errant neighbour on notice in various kinetic as well as non-kinetic ways while calling out the nuclear bluff for what it always was—a hollow and impractical threat. The 88-hour-long operation has been a small trailer for re-assessing India's defensive capabilities in a collusive full-fledged war scenario. While there are indicators for self-assurance, there is also renewed focus on few critical vulnerabilities, which need to be plugged soonest; there is no way these can be glossed over in a two-front situation. A reappraisal of India's operational readiness inevitably leads to the need for urgent liquidation of longstanding deficiencies in weapon and platforms as per authorisation and also the need for expediting modernisation of the forces.

Induction of new-generation modern fighter aircraft and platforms, naval assets, light tanks, gun systems, surveillance systems, etc., whether indigenous or imported, are not only time-consuming activities but also capital intensive. If hypothetically all modernisation activities were to be compressed within a financial year (realistically many years), it will require huge allocation of financial resources; the annual defence budget will need to be hiked manifold, which is not feasible, given the other equally important and competing national requirements. Thus, the problem of inadequate funds for modernisation requires a de-novo look and the budgetary solution has to be in-sync with the domestic production capabilities or import timelines while ensuring that operational readiness is on a sustained upswing. For undertaking this exercise, the components of defence budget have to be understood, the Defence Budget 2025 being the baseline.

Defence Budget 2025-26

Allocations in the defence budget at the macro level are summarised below:

- Total allocation is INR 6.81 lakh cr, 13.45 per cent of the total central government expenditure (INR 50.65 lakh cr) and 01.85 per cent of Gross Domestic Product (GDP). It is a jump of 09.53 per cent over Budget Estimate (BE) of previous year (INR 6.16 lakh cr).
- Meanwhile, capital outlay is INR 1.8 lakh cr, an increase of 04.65 per cent over BE of 2024-25. It is 26.43 per cent of the total defence budget. Distribution amongst the three services has not

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been given, ostensibly due to the unpredictability of the tedious procurement process. Out of this, INR 1,48,723 cr is planned to be spent on capital acquisition, termed as modernisation budget of the armed forces and remaining INR 31,277 cr is for capital expenditure on Research and Development (R&D) and creation of infrastructural assets across the country.

- Revenue (excluding pensions) is INR 3.12 lakh cr, an increase of 10.24 per cent over BE of 2024-25. It is 45.76 per cent of the total defence budget. Out of this, INR 1.14 lakh cr has been allocated on account of non-salary expenditure (ration, fuel, ordnance stores, and maintenance and repair of equipment etc.,). The breakdown amongst the three services is as follows:
    - Air Force: INR 53,700 cr (increase of 16.1 per cent)
    - Navy: INR 38,150 cr (increase of 16.3 per cent)
    - Army: INR 2,07,520 cr (increase of 07.7 per cent)
- Defence Research and Development Organisation (DRDO) has received INR 26,817 cr (increase of 12.4 per cent). Out of this, a major share of INR 14,924 cr has been

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allocated for capital expenditure and to fund the R&D projects.

- Border Roads Organisation (BRO) received INR 7,146 cr (increase of 09.74 per cent).
- Innovations for Defence Excellence (iDEX) and Acing Development of Innovative Technologies with iDEX (ADITI) received INR 450 cr, an increase of almost three times in two years.
- Defence pensions (including defence civilians) received INR 1.61 lakh cr (increase of 14.1 per cent). It is 23.6 per cent of the total defence budget.
- Ministry of Defence (MoD) (Civil) received INR 12,503 cr (capital) and INR 46,995 cr in revenue, excluding revenue receipts.
- INR 28,683 cr was allocated for civil organisations under MoD.[1]
- A substantial share of modernisation budget is being earmarked for the capital procurement from domestic industries. In order to encourage the private sector for manufacturing and technological development in the defence sector, a notable percentage of domestic share is further earmarked for acquisition from domestic private

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industries. Accordingly, for Financial Year (FY) 2025-26, 75 per cent of modernisation budget, i.e., INR 1,11,544 cr, has been earmarked for procurement through domestic sources and 25 per cent of domestic share i.e., INR 27,886 cr, has been set for procurement through domestic private industries.[2]

Need for Enhancing Capital Portion of Defence Budget

As indicated, the Defence Budget 2025-26 has a total allocation of INR 6.81 lakh cr, out of which capital outlay is INR 1.8 lakh cr while revenue expenditure is INR 3.12 lakh cr (including INR 1.14 lakh cr non-salary expenditure), and pensions (defence and civilians) is INR 1.61 lakh cr, with balance being DRDO (INR 26,817 cr), BRO (INR 7,146 cr), etc. Broadly speaking, capital allocation of INR 1.8 lakh cr (INR 1.49 lakh cr excluding R&D), which is assigned for modernisation of the forces, is approximately 26.5 per cent of the budget. The balance 73.5 per cent of the budget is for incurring expenditure for operational sustenance, salary, pensions, and other miscellaneous heads. For rapid capability development and modernisation of forces, the capital portion of the defence budget needs to be enhanced.

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The three services, i.e., army, navy, and air force, have a well-defined system of formulating their modernisation plans, which include induction of new weapons and platforms, raising and reorganisation of new formations or units in consonance with the evolving technologies, and doctrines of warfare. These are duly prioritised and integrated into a long-term plan from which the annual acquisition plans are carved out. Since the financial resources for modernisation (capital outlay of defence budget) are limited, only the highest priority schemes for that year are taken up for in-principle approval of the government and only after the approval, the procurement process as per Defence Procurement Manual gets activated. What this implies is that there is always a big backlog of modernisation schemes which cannot be even fielded for in-principle approval of government in a particular year due to paucity of funds, i.e., capital portion of defence budget.

So, if the modernisation of forces has to be speeded up, the capital outlay of defence budget has to be increased substantially every year. This can be achieved in only two ways, either the balance portion of defence budget has to be compressed and capital should be increased accordingly or the total defence budget has to be increased substantially so that capital outlay of the defence budget increases. Both these

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options need to be examined and a feasible solution has to be devised.

Compressing Revenue Expenditure in Defence Budget

On the first look, 73.5 per cent of the defence budget earmarked for revenue expenditure and other miscellaneous heads looks heavy, with potential for compression, so that capital outlay for modernisation can be increased. As indicated earlier, the revenue of defence budget (excluding pensions) is INR 3.12 lakh cr. Out of this, INR 1.14 lakh cr is for operational sustenance of forces, i.e., maintenance, repair, and upgradation of weapon systems, platforms, and war-like equipment, ordnance stores (ammunition, spares, assemblies, and unit equipment), fuel, and rations. Operational sustenance, by its very definition, is basically for maintenance and upkeep of the existing inventory (includes legacy weapon systems requiring heavy spares back up for ensuring their serviceability), ammunition, and fuel replenishment for operations while also ensuring a physically fit combatant force. Expenditure on none of these components can be cut down without compromising the weapon systems serviceability and operational readiness of forces. Thus, any compression of expenditure on operational sustenance will have a direct adverse impact on combat potential of forces and, hence, is not desirable. What is feasible is optimisation of some

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expenditure from these heads which, in any case, is undertaken regularly but cannot affect significant savings in any way to bolster the capital outlay meaningfully. It is also pertinent to note that Operation Sindoor has resulted in additional allocation of INR 40,000 cr for replenishment of ammunition, missiles, kamikaze drones, loitering ammunition, and other wherewithal under emergency powers delegated to the defence forces. This suggests that allocation to even the operational sustenance head of revenue expenditure needs to be increased on an annual basis and there is no scope of its compression in order to enhance the capital allocation for modernisation of forces.[3]

The next component of revenue budget is the salaries. The pay and allowances of all ranks in the defence forces is governed by the Central Pay Commission (CPC) Awards and has broad parity with civilian central government employees. As pay and allowances cannot be reduced arbitrarily in isolation, it is axiomatic that the expenditure from salary head cannot be curtailed unless the strength of the defence forces is reduced or some other innovative measures are employed.

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The expenditure on defence pensions (including civilians) is INR 1.61 lakh cr, which is 23.6 per cent of the Defence Budget 2025-26. The high expenditure on pensions obviously raises eyebrows but has to be understood in the context of extremely high number of pensioners, which, in turn, is due to the fact that men in the forces start retiring from a young age, starting 36 years. Thus, the defence pension establishment is very large in numbers (approximately INR 25 lakh), although the per capita average pension of defence personnel, despite One Rank One Pension is much lower than per capita average pension of civilian central government employees. Again, like the salary component, it is extremely difficult to compress the pension budget, unless the retirement age of defence personnel is increased, bridging at least some gap with retirement age of civilian employees, or some other innovative measures being taken. The government has perhaps modelled the Agnipath scheme of recruitment towards this objective of compressing salary and pension expenditure. This scheme will be examined to understand its impact on the defence budget in the years to come.

Other Major Expenditures in Defence Budget

Having examined the revenue (including salaries) and pension budget for scope of compression, the only other major expenditure heads are DRDO (INR 26,817 cr), MoD (Civil) (INR 28,683 cr), and BRO (INR 7,146 cr). It is nobody's case that infrastructure development on India's borders be slowed or stopped by cutting down BRO

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budget. Meanwhile, if the emphasis is on *Atmanirbhar Bharat* (Self-reliant India) in the age of ongoing revolution in military technologies, then the DRDO budget needs a boost.

India's national spend on defence R&D is abysmally low as compared to R&D spends of other major countries. As far as the R&D spend in developing new cutting-edge technologies is concerned, presently, India spends only approximately 0.7 per cent of the GDP on R&D. This is much lower than the world average of 1.8 per cent. Countries like the United States (US) and China reportedly spend about 2.8 per cent to 3.5 per cent of their GDP on R&D. Israel, a major exporter of defence technologies, is the top spender, with almost 6 per cent of its GDP being spent on R&D. China is continuously increasing its R&D investments for the last 25 years and is expected to surpass the US by 2026. Considering the fact that the GDP of the US and China is six to eight times bigger, the enormity of asymmetry in defence R&D spends can be comprehended. Consequently, as per Global Innovation Index 2024, India's global ranking is 39th (amongst 133 global economies). The inference is loud and clear; there

As far as the Research and Development (R&D) spend in developing new cutting-edge technologies is concerned, presently, India spends only approximately 0.7 per cent of the Gross Domestic Product on R&D.

is no scope of cuts here, albeit there is a strong case for substantial increase in any budget linked to R&D in new age defence technologies. Accordingly, the share of defence budget allocated to R&D, which has already gone down from 4.7 per cent to 3.9 per cent in the last 10 years, needs to increase substantially.[4]

Impact of Agnipath Scheme on Pay and Pension Budget

The Agnipath scheme, introduced in Jun 2022, has drastically altered the recruitment and retention methodology of sepoys and equivalents in the defence forces. The existing parameters of Agnipath scheme, applicable to Agniveers, are as follows:

- Annual intake is 92,000 for all three services (46,000 recruits half yearly).
- Initial service as Agniveers is for the duration of four years.
- After four years, 25 per cent of strength, i.e., 23,000 recruits are retained.[5]

Emoluments specified by government for Agniveers are lower than that of a regular Sepoy. Additional Seva Nidhi is provided during discharge after four years of service.

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For examining the long-term impact of Agnipath scheme on pay and pension budget of forces, the numerical progression of their strength has to be forecasted. This has been done by the author by first constructing a mathematical model and then converting it to a dynamic Excel sheet. A simplified version of the same has been referred to in the succeeding paragraphs. The annual intake, years of service, and retention percentage have been taken as above for the mathematical model; however, the model being dynamic, if the government modifies any of the above parameters in future, the forecasted strength of the forces will also automatically adjust. The mathematical model is not being reproduced here for reason of brevity but it, suffice to say, forecasts continuous reduction in strength of forces after the year 2026 till steady state is reached around the year 2046, when the total strength of defence forces would have almost halved to about 8 lakh. These figures will change if government either changes the annual intake of Agniveers or their years of service or retention percentage. As the policy stands today, the scheme will lead to gradual reduction in strength of forces and, consequently, savings in pay and pension budget will be realised, which need to be examined.

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For mathematical modelling of impact of Agnipath scheme on pay and pension budget, additional assumptions will have to be made:

- Annual training cost of Agniveers.
- Annual lodging, ration, and clothing cost of Agniveers or soldiers.
- Annual salary of retained Agniveers (25 per cent) is same as existing salary of present-day soldiers.
- Promotion of retained Agniveers is as per Modified Assured Career Progression.
- Retained Agniveers get pension on retirement as per existing norms.
- Average life expectancy being 70 years, every Agniveer (Non-commissioned Officers and other ranks) draws pension for 28 years.

A simplified construct for mathematical modelling of Agnipath scheme was earlier published in United Service Institution's Journal issue of Apr-Jun 2023 as an article titled *Re-imagining MRO for Defence Realistically Leveraging Technology*.[6] The mathematical model was then converted to a dynamic Excel sheet to enable computations and automatic forecast if any of the variables change. The inferences from this model, based on the existing intake and retention parameters of Agniveers, are as follows[7]:

- Salary savings kick in only from year 2027 and are a modest INR 300 cr annually, cumulated thereafter.
- Pension savings commence only from year 2046, approximately when the

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first batch of retained Agniveers starts retiring, savings cumulated, thereafter, till steady state is reached.

- Once steady state is reached, the annual savings in pay and pension budget will be approximately INR 48,000 cr (on present 7th Central Pay Commission [CPC] pay and pension scales), i.e., about 7 per cent of the Defence Budget 2025-26.

Options for Increase in the Capital Outlay of Defence Budget

Decrease in Revenue Expenditure. This has already been examined and not found feasible. If at all, there is a need for increasing the outlay on operational sustenance of forces which forms part of revenue head of defence budget, as evident from Operation Sindoor.

Decrease in Pay and Pension Budget. This has been examined through mathematical modelling of the Agnipath scheme for its financial implications. In the initial years, it leads to paltry savings in salary budget; in the long term, it also results in substantial pay and pension savings when steady state is achieved, which could be approximately 7 per cent of the existing defence budget. This figure will change if government amends intake or retention parameters of the Agnipath scheme.

Once steady state is reached, the annual savings in pay and pension budget will be approximately INR 48,000 cr i.e., about 7 per cent of the Defence Budget 2025-26.

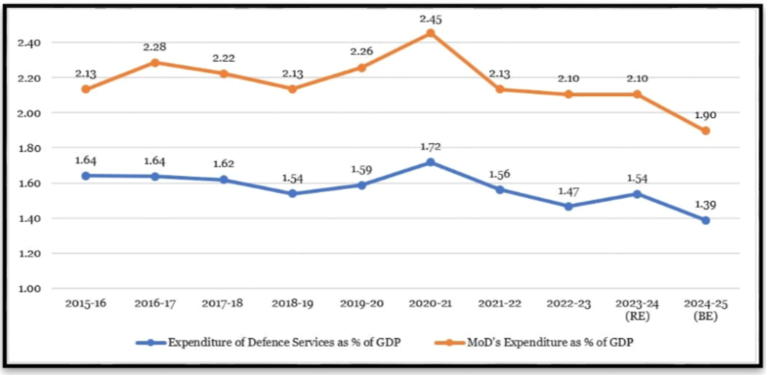
Decrease in Miscellaneous Heads. The existing budgetary allocation to DRDO and BRO heads has been examined and their case for increase is as strong as the case for increase in capital outlay of the defence budget. Some other heads like iDEX and ADITI are too small to be even considered. So, no decrease can be affected from these heads.

Increase in Overall Defence Budget. With compression of various components of revenue budget having been found not feasible in any meaningful manner, with pay and pension savings to accrue only in the long run, the only option available to put modernisation of forces on the fast track is an increase in the overall defence budget. At present, the defence budget stands at INR 6.81 lakh cr, approximately 1.85 per cent of the GDP of India. Is it low? Can it be increased? And how much should it increase? This needs to be examined now.

The existing budgetary allocation to Defence Research and Development Organisation and Border Roads Organisation heads has been examined and their case for increase is as strong as the case for increase in capital outlay of the defence budget.

Trend Analysis of Overall Defence Budget

Although the defence budget has increased in absolute terms, year after year, its share in the GDP as well as central government expenditure has been in a secular decline since the last three decades or more. In the last 10 years alone, the defence expenditure has come down from a level of approximately 2.3 per cent of the GDP to 1.9 per cent share, as indicated in Graph 1.



Graph 1: Expenditure of Defence Services

Source: Observer Research Foundation[8]

Similarly, the share of central budget spent on defence has come down in the last 10 years from 17 per cent to 13 per cent now. This implies that there is scope of increase in defence budget should the government so desire. This is also supported by the recommendations of various Parliamentary Standing Committees on Defence.

The Standing Committee on Defence (2018) had recommended that the defence budget should be a fixed 3 per cent of the GDP to ensure adequate preparedness of armed forces. It is to be noted that if India had allocated 3 per cent of estimated FY 2026 GDP to defence, the defence budget this year would have been approximately INR 10.8 lakh cr, a huge increase from the existing figure of INR 6.81 lakh cr.

The Standing Committee on Defence (2023) had observed that most of India's defence purchases are transacted in dollars. It recommended that the depreciation of rupee against the dollar and inflation rate should be considered while allocating funds for the defence forces.[9]

Inevitable Increase in Overall Defence Budget

After the combat of Operation Sindoor, it is clear that a significant increase in both the capital outlay (force modernisation) and revenue head (operational sustenance) has become an inevitability. Since there are no worthwhile options for savings from pay and pension budget in the near term, this implies that allocation to defence budget has to go up in a meaningful manner, i.e., as a percentage of GDP or central government expenditure, thus, reversing a decline of three decades. The Defence Secretary, Shri Rajesh Kumar Singh is already on record that "Conditions are now aligning for India's defence budget to ideally rise to a minimum of 2.5 per cent of GDP by FY 2030, up from the current 1.9 per cent".[10] The point to note here is the use of word 'Ideal' for the target stipulated by the Defence Secretary, as it is still short of the 3 per cent target given by the Parliamentary Committee on Defence and several other experts from time to time. Just to put the ideal target in perspective, 2.5 per cent of GDP in FY 2026 GDP

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estimates will itself come to about INR 9.2 lakh cr (and much higher if based on FY 2030 GDP estimates), a huge increase from current allocation of INR 6.81 lakh cr. It is moot point whether such a large increase is feasible in the context of India continuously allocating lower and lower pie of national resources over the last three decades to defence?

Although the ongoing Operation Sindoor has established the desirability of increasing the allocation of financial resources to defence, the quantum of increase necessitates scrutiny. If 75 per cent of the future procurements are to be from indigenous manufacturers, then the absorptive capacity of Indian defence industry with availability of weapon systems and platforms with cutting-edge technologies can become a constraint, should capital outlay for modernisation be significantly increased all of a sudden. So there has to be a calculated, calibrated, and considered enhancement of defence budget for modernisation and operational sustenance of forces. Simultaneously, as per the recommendations of 15th Finance Commission, a non-lapsable modernisation fund has to be created, where the unused capital outlay at the end of a FY is rolled over to next FY. This is essential to cater to the vagaries

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of the procurement process which is very long as well as uncertainties of indigenous development of new technologies and weapon systems.

Having established the necessity of gradual increase of defence budget every year (in real terms), it will be worthwhile to examine what should be the end state, i.e., what should be the ultimate target of defence budget or where it should be capped. Should it be 2.5 per cent or 3 per cent or some other figure? The end state will then determine what the rate of rise in allocations should be. However, determining the target of defence budget as a percentage of GDP for the long term is a matter of extensive study, research, and debate, being impacted by several geopolitical factors which are always in a state of flux, economic environment, and security matrix. What can be done at this stage is to view the defence expenditures of India's adversaries and major powers as a reference point. The same is shown in Table 1, as an indicator.

Country	**As % of govt expenditure**	**As % of GDP**
China	5.5	1.9
Pakistan	18.5	4
US	9	3.2
Russia	11.4	3.9
UK	4.6	1.8
India (2025)	13	1.85

Table 1: Defence Expenditure

Source: Ministry of Defence data[11]

It is to be noted that defence expenditure of Pakistan, Russia, and the United Kingdom (UK) has gone up in recent years; the UK has committed to increase defence spending to 2.5 per cent of GDP by 2027. The expenditure of China and the US in terms of percentage of GDP or percentage of government expenditure is an imperfect comparator, their economies being seven to ten times bigger than India.[12]

Recommendations for Increase in Defence Budget in the Short Term (Five Years)

As part of the lessons learnt from the ongoing Operation Sindoor and based on the analysis here confirming no scope of reductions in revenue expenditure, the only way to speed up modernisation of forces is by effecting significant and real increase in overall defence budget. The recent assertion of the Defence Secretary on the need to increase the allocation to defence to 2.5 per cent of GDP by year 2030 has reinforced the near unanimous opinion held by defence experts outside the government. However, there is still scepticism about whether such a steep increase in defence allocation from 1.85 per cent of GDP to 2.5 per cent of GDP is possible in 5 years when, for last three decades, there has been continuous decline in defence budget in real terms. If 10 per cent Compound Annual Growth Rate (CAGR) in assumed nominal GDP growth for next

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five years, a 2.5 per cent of GDP allocation will lead to increasing the defence budget from existing INR 6.81 lakh cr to INR 14.82 lakh cr, i.e., more than double in absolute value.

While all these projections and calculations are done, it will be worthwhile taking a more nuanced approach, wherein, the progression of pay, pension, and MoD (civil) portion is delinked from the capital, operational sustenance, and miscellaneous heads of defence budget; the latter heads meriting a much higher rate of increase. As far as pay and pensions heads are considered, they are expected to increase at CAGR of 12 per cent, even after taking the likely impact of 8^{th} CPC into account. On the other hand, it is desirable that capital and operational sustenance budget allocations increase at a higher rate in order to enhance the operational capability and readiness of forces. For these budget heads, the increase in five years can be higher by a multiple of 2.17 over another five years, extrapolated from the budgetary target indicated by the Defence Secretary. The projections as per the above segregation of budgetary heads are given in Table 2.

It is desirable that capital and operational sustenance budget allocations increase at a higher rate in order to enhance the operational capability and readiness of forces.

The projection of INR 13.19 lakh cr budgetary allocation for defence in year 2030 corresponds to 2.22 per cent of expected GDP in 2030.

Component	**2025 Allocation**	**% of CAGR/Multiple**	**2030 Allocation (Projected)**
Salary + Pension + MoD	3.87	12%	6.81
Capital + Sustenance + Miscellaneous	2.94	2.17 (multiple)	6.38
Total			13.19

Table 2: Projections of 2030 Allocation (All figures in INR lakh cr)

50:50 Solution. The capital and operational sustenance head together account for approximately 43 percent of the Defence Budget 2025. Another suitable and reasonable expectation would be to increase the allocation to these by 50 per cent by the year 2030, i.e., an increase of 7 per cent. Incidentally, the savings in pay and pension budget from the Agnipath scheme, in the long run also amount to 7 per cent of the defence budget, as indicated in the analysis earlier. If this saving is reappropriated to the capital outlay, it becomes a 50:50 solution. With this solution, the non-salary, non-pension budget for the year 2030 in Table 2 can be enhanced to INR 6.81 lakh cr with total defence budget being INR 13.62 lakh cr, i.e., exact double of existing budget which corresponds to 2.29 per cent of expected GDP in 2030.

The aggregate analysis, thus, indicates the need for increasing the defence budget from existing 1.85 per cent of GDP to about 2.2 per cent or 2.3 per cent of GDP over the next five years. Anything higher than 2.3 per cent of GDP as defence budget may be too rapid a rate of increase and domestic absorptive capacity may not match up. Increase of budgetary allocation to this range between 2.2 per cent and 2.3 per cent of GDP can be spread out, with each year achieving an additional allocation of about 0.08 per cent to 0.1 per cent of that year's GDP. Over five years, this will manifest in more than doubling of the modernisation budget while keeping pay and pension budget increase to a modest level.

Conclusion

Emergency allocation of additional funds for defence, just after Operation Sindoor, has laid threadbare the need for higher defence budget for operational sustenance of forces, apart from the need for accelerated modernisation of forces. This is in consonance with the widely held view that the existing budgetary allocation for defence is inadequate and has been so for many years, leading to hollowness and delayed modernisation of forces. The worsening international geopolitical situation and its adverse effects in India's

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neighbourhood have further exacerbated the operational matrix. Over the last few years, and particularly in the last few months, allocations for defence have gone up in many countries, including the European Union, the UK, and Japan. Even Pakistan, despite its poor economic state, increased its defence budget by a whopping 16.4 per cent last year and is slated to further increase it significantly this year. Thus, it is evident that India can no longer postpone the augmentation of financial resources for defence, presently at a historic low of 1.85 per cent of national GDP.[13]

After a rigorous appraisal and analysis of the various components of the Indian defence budget and after examining various options of compressing the revenue expenditure, including impact of the Agnipath scheme, the conclusion is that the only way to increase the capital outlay for modernisation, improve the operational readiness and accelerate the R&D effort, so essential for achieving higher degree of self-reliance in defence manufacturing, is to significantly increase the overall defence budget in real terms, i.e., as a percentage of GDP. Since a developing nation like India has to focus on critical requirements of education, health, and poverty alleviation simultaneously, in addition to the security paradigm, there has to be a calibrated and balanced

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augmentation of financial resources for defence. After a careful consideration of options available and recognising the need for at least doubling the financial resources available for accelerated modernisation of forces and enhanced operational readiness, over the next five years, budgetary allocation between the range of 2.2 per cent and 2.3 per cent of India’s GDP is considered pragmatic and realistic till the year 2030. Longer term trajectory of defence budget will, however, be dependent on a medley of complex geopolitical factors and many other imponderables.

Endnotes

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