

## INDIAN DEFENCE BUDGET 2023-24: AN ASSESSMENT

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*(Views expressed in the brief are those of the author, and do not represent those of ISSI)*



India has once again increased its defence budget allocation by 13 per cent in 2023-24. India's increased defence spending has been continually growing for the last 10 years. In the year 2013, it was INR2845.97 billion and reached INR5935.38 billion in 2023-24 almost a 108 per cent increase in past 10 years. Earlier, SIPRI reported in April 2022 that India is ranked No. 3 in terms of the top five military spenders in the world. As per SIPRI India is No1. top arms importer in the world and it maintains that position from 2013-2021.<sup>1</sup> India is in a race to buildup, upgrade and modernise its conventional and nuclear force and develop advanced means of delivery systems including hypersonic missiles. It is building an offensive military posture, which is threatening its neighbouring countries like Pakistan and China. India wants to achieve its objectives through military means and once again, in 2023, it increased its defence budget to buy new weapons, aircraft, warships and other military hardware.

On February 1, 2023, India raised its defence budget to INR5935.38 billion (US\$72.6).<sup>2</sup> This is an increase of 13 per cent from the year 2022-23 initial defence budget estimates of INR5251.66 billion.

1 "TIV of Arms Imports to the Top 50 Largest Importers, 2013-2021," SIPRI, access date, February 23, 2023, [https://armstrade.sipri.org/armstrade/html/export\\_toplist.php](https://armstrade.sipri.org/armstrade/html/export_toplist.php)

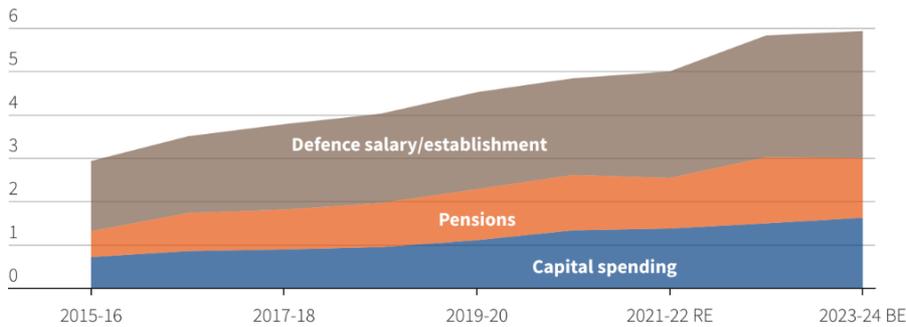
2 Ministry of Finance, Government of India, *Key Features of Budget 2023-2024*, February 2023, [https://www.indiabudget.gov.in/doc/Key\\_to\\_Budget\\_Document\\_2023.pdf](https://www.indiabudget.gov.in/doc/Key_to_Budget_Document_2023.pdf)

Indian experts argue that this year’s double-digit growth of the Indian defence budget is a result of the recovery of the Indian economy after the COVID-19 pandemic. In 2020-21, it contracted to 6.6 per cent and then it increased to 8.7 per cent in the following year. According to the Indian Economic Survey 2022-23, “in real terms, the economy is expected to grow at 7 per cent for the year ending March 2023.”

The chart below explains how India spends its defence budget. Every year a major chunk of Indian defence allocation goes for capital spending – for the procurement of new weapons and military modernisation drive. All these spending heads reflect a steady increase in the past seven years with the highest increase in spending on defence services.

### Where is India's defence budget spent?

Establishment costs, salaries and pensions account for the majority of the country's defence budget. All figures in the chart are in trillion Indian rupees.



Note: BE: Budget estimates, RE: Revised estimates  
 Source: Budget documents | Reuters, Feb. 1, 2023 | By Sumanta Sen

**Source:** India raises defence budget to \$72.6 bln amid tensions with China,” Reuters, February 1, 2023, <https://www.reuters.com/world/india/india-raises-defence-budget-726-bln-amid-tensions-with-china-2023-02-01/>

### Composition of Expenditure

(% share of total expenditure)



In the 2022-23 defence budget, out of INR5935.38 billion, INR226.12 billion were allocated to the Ministry of Defence (Civil), INR2701.20 billion to Defence Services (Revenue), INR1626.00 billion for Capital Outlay on Defence Services and INR1382.05 billion on Pensions.<sup>3</sup>

In the Ministry of Defence (Civil) major allocations were made to the coast guard organisation (INR72 billion); Borders Road Development Board Secretariat (INR41.7 billion); works executed by Border Roads Development Board (INR60 billion) and other services.<sup>4</sup> Concerning Border Road, the agency's capital budget has doubled over the last two years from INR 2,500 crore in fiscal 2021-22, as well as a 43 per cent increase over the allocation for fiscal 2022-23.<sup>5</sup>

Regarding Defence Services (Revenue) the Indian Army will receive INR1826.5 billion, an increase of 10.77 per cent from the 2022-2023 initial allocation of INR1648.98 billion. This allocation will mainly cover pay and allowances for the army, transportation and other work. The Indian Navy will receive INR322.84 billion, an increase of 27.07 per cent from the 2022-2023 initial allocation of INR254.06 billion. This allocation covers pay and allowances, transportation, repairs and refits and other expenditures. Similarly, the Indian Air Force will receive INR 443.46 billion an increase of 35 per cent from the 2022-2023 initial allocation of INR328.73 billion. The ordnance factories would receive INR 4.27 billion and INR104.14 were allocated for research and development.

In the 2022-23 defence budget, Indian Finance Minister Nirmala Sitharaman allocated INR1626 billion for defence capital outlays, around 6.7 per cent increase from the 2022-23 initial allocation of INR1523.7 billion. This expenditure would include new weapons, aircraft, warships, drones, loitering munitions, small arms and light tanks, as well as upgrade existing tanks and armoured personnel carriers and other military hardware.<sup>6</sup> According to Indian Defence Ministry, "This increase is a reflection of the Government's commitment towards sustainable augmentation in the area of modernisation & infrastructure development of the Defence Services."<sup>7</sup>

Out of this INR1626 billion allocation of Capital Outlay on Defence Services, the Indian army will get INR372.42 billion, an increase of 16.33 per cent from the 2022-23 initial allocation of INR320.15

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<sup>3</sup> Ministry of Finance, Government of India, *Expenditure Budget 2023-24*, February 2023, [https://www.indiabudget.gov.in/doc/Budget\\_at\\_Glance/budget\\_at\\_a\\_glance.pdf](https://www.indiabudget.gov.in/doc/Budget_at_Glance/budget_at_a_glance.pdf)

<sup>4</sup> *Expenditure Budget 2023-24*.

<sup>5</sup> Aditya Bhan, "Defence Budget 2023-24: Optimising with Limited Funds," Observer Research foundation (ORF), February 10, 2023, <https://www.orfonline.org/expert-speak/defence-budget-2023-24/>.

<sup>6</sup> India Raises Defence Budget to \$72.6 bln Amid Tensions with China," *Reuters*, February 1, 2023, <https://www.reuters.com/world/india/india-raises-defence-budget-726-bln-amid-tensions-with-china-2023-02-01/>

<sup>7</sup> Vivek Raghuvanshi, "India to boost defense spending by 13%, with billions for new weapons," *Defence News*, February 2, 2023, <https://www.defensenews.com/global/2023/02/02/india-to-boost-defense-spending-13-with-billions-for-new-weapons/>

billion.<sup>8</sup> The army will spend this amount on its modernisation drive which includes purchasing new weapons systems, heavy and medium vehicles, aircraft and aero-engines and other equipment for the army. The Indian Navy will get INR528.05 billion, an increase of 11 per cent from the 2022-23 initial allocation of INR475.91 billion. The Navy will spend this amount on its modernisation drive. Similarly, Indian Airforce will get INR571.37 billion, an increase of 2.8 per cent from the 2022-23 initial allocation of INR555.87 billion.<sup>9</sup>

The above-highlighted Indian defence budget and its trends reflect that India is pursuing a constant drive to expand its military machine. Although in the current defence budget, the capital expenditures of the Indian Army have increased by 16.33 per cent as compared to the Airforce and Navy, the Indian Airforce and Navy are already spending heavily on the purchase of new weapons and aircraft. Indian defence experts seek to justify this defence budget by citing their comparison with the Chinese defence budget of US\$293 billion for the year 2022 and Indian political figures have repeatedly argued for preparing for a ‘two-front war’ with China and Pakistan.

India is also engaged in a quest to ‘catch up’ with other major powers. It has already demonstrated the development of emerging technologies like anti-satellite capability; it has already started research and development of next-generation hypersonic missiles; it is building a nuclear triad; and its offensive military preparedness is aimed against its neighbours. Over the past decades, India has concluded major defence deals with Russia, the U.S. and Israel for procurement of the latest weapons system. It is also developing autonomous weapon systems and is investing in various categories of autonomous weapons. Earlier, in January 2021, India demonstrated its offensive Swarm Drone Systems (with 75 drones and it aims to reach up to 1000 drone swarms) with an operational range of 40-45 km inside the enemy territory with their “Kamikaze” style strike (suicide drones) as a part of its preparation for non-contact warfare.

The Indian military expansion drive will hurt regional powers as it is going to generate further negative trends. This will aggravate their threat perceptions, which might end up overinvesting in technological modernisation while putting the other domains of security on hold. The massive Indian military buildup is also detrimental to deterrence stability in South Asia.

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<sup>8</sup> *Expenditure Budget 2023-24.*

<sup>9</sup> *Expenditure Budget 2023-24.*