

INDIAN DEFENCE BUDGET FY 2024-25 – OPERATIONAL PREPAREDNESS AND DEFENCE MODERNIZATION: IMPLICATIONS FOR PAKISTAN

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August 21, 2024

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



Due to election season in India, the Union Budget was announced twice this year. Initially, an interim budget was presented on February 1, 2024, before elections commenced in April 2024. The second time, Indian Finance Minister Nirmala Sitharaman presented the Union Budget for Fiscal Year 2024-2025 on July 23, 2024. This budget was approved by the Indian Parliament on August 8, 2024.¹ The budget for the fiscal year 2024-25 allocated 12.9 per cent to the defence expenditure in India.² With a greater focus on operational preparedness and defence modernization, the budget allocated for defence for FY 2024-2025 has been raised to approximately \$74.30 billion (INR 6.21 trillion) from \$72.6 billion (INR 5.94 trillion³) in FY 2023-2024. This is a 4.55 per cent increase from last year; 94 per cent increase in last five years; and about 170 per cent increase in past ten years.⁴ Table

¹ “Budget approved: Rajya Sabha returns appropriation and finance Bills to Lok Sabha,” Indian Express, August 9, 2024, <https://indianexpress.com/article/india/budget-approved-rajya-sabha-returns-appropriation-and-finance-bills-to-ls-9503739/>

² The budget was released in Indian Rupees valued in Crores, however, using a conversion rate of 83.72, the budget is converted into U.S. dollars. All the numerical data is gathered from the Ministry of Finance, India.

³ Press Information Bureau (Defence Wing) Government of India, “Defence gets Rs 5.94 lakh crore in Budget 2023-24, a jump of 13% over previous year,” February 1, 2023, <https://www.mod.gov.in/sites/default/files/Defence-gets-Rs-5.94-lakh-crore%20%281%29.pdf>

⁴ Ministry of Defence, India, https://www.linkedin.com/posts/defenceminindia_defencebudget-activity-7159014043658199040-Ukzw/

1 below demonstrates the growth of the Indian Defence Budget from 2014 till 2024:

Years	Budget (Trillion INR)	Percentage Increase
2014-15	2.29	5.18%
2015-16	2.47	7.85%
2016-17	2.49	0.81%
2017-18	3.60	44.66%
2018-19	4.04	12.22%
2019-20	4.31	6.64%
2020-21	4.71	9.29%
2021-22	4.78	1.48%
2022-23	5.25	9.82%
2023-24	5.94	13.14%
2024-25	6.21	4.55%

Table 1: Indian Defence Budget 2014-2024
Source: Ministry of Defence, India

This Issue Brief seeks to unpack the Indian Defence Budget 2024-25, focusing on the budget for the Indian Armed Forces, areas of military modernization drive, and the funding for border development. It notes an inflated and overextended budget for defence expenditure, indicating an aggressive military buildup. Finally, it discusses the challenges posed by this budget and how they contribute to instability in South Asia.

As illustrated in Figure 1 below, the allocation of the Indian Defence Budget 2024-25 budget is divided into four sections:

1. The Ministry of Defence receiving \$3.1 billion (INR 25963.18 Crore), about 4.16 percent of the total defence budget.
2. The Defence Services including Indian Armed Forces receiving \$33.8 billion (INR 282772.67 Crore), about 46 per cent of the defence budget.
3. The Capital Outlay on Defence Services that fund the modernization of Indian defence forces being provided \$20.64 billion (INR 172000 Crore), which is 27 per cent.
4. An amount of \$16.87 billion (INR 141205 Crore) allocated for Defence Pensions that make up 22 per cent of the total defence budget.

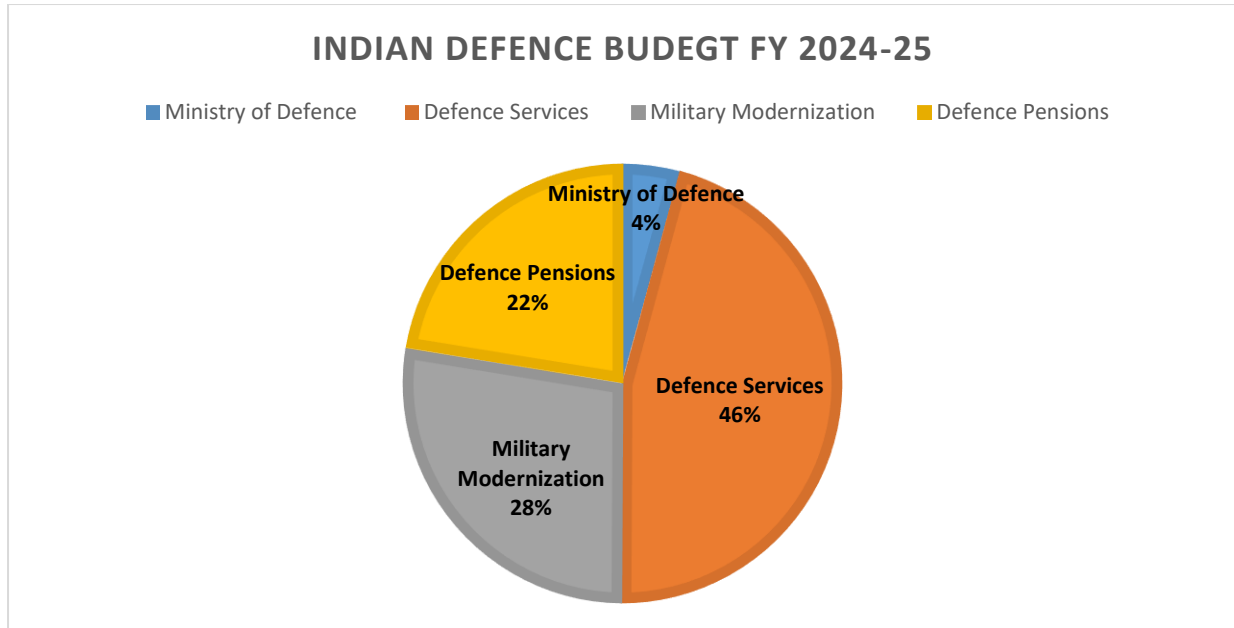


Figure 1: Indian Defence Budget 2024-25
Source: Ministry of Finance, India

Indian Armed Forces

The Indian Armed Forces have had a growing budgetary allocation from 2020-2023 as illustrated in Figure 2 and Table 2 below. However, while the Indian Defence Forces have received almost 46 per cent of the budget, the expenditure allocated for the forces was reduced from the previous year as discussed below:

- **Army:** The budget allocated for the Indian Army stands at \$23.05 billion (INR 1,92,680.38 Crore), which is 1.75 per cent less than last year (\$23.5 billion or INR 1,96,076.73).
- **Navy:** Despite India's attempts to boost its naval capacities, especially in the wider Indian Ocean region, a significant hike to fulfil these desires was not reflected in the budget. An amount of \$3.92 billion (INR 32,778.73 Crore) has been allocated for Indian Navy which is 6.97 per cent less from FY 2023-24 budget.
- **Air Force:** Like other forces, the expenditure allocated for the Indian Air Force also witnessed a reduction of 19.61 percent, from \$5.52 billion (INR 46223.49 Crore) in FY2024-25.

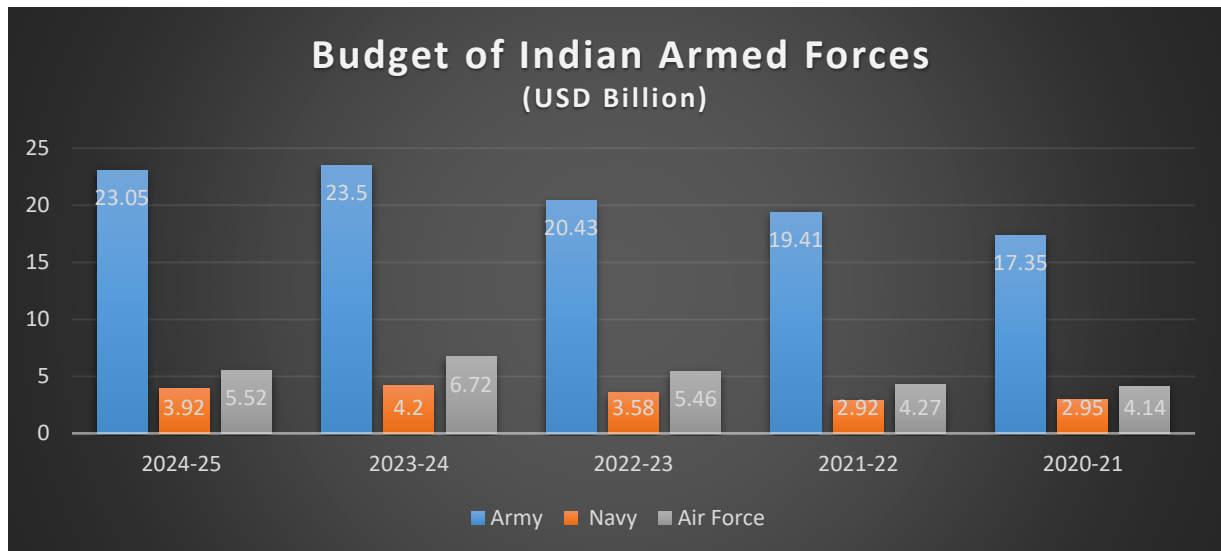


Figure 2: Budget of Indian Armed Forces 2020-2025 (USD billion)

Source: Ministry of Finance, India

Defence Services	2024-25	2023-24	2022-23	2021-22	2020-21
Army	\$23.05 billion 192680.38 Crore	\$23.5 billion 196076.73 Crore	\$20.43 billion 171031.46 Crore	\$19.41 billion 161810.13 Crore	\$17.35 billion 145216.31 Crore
Navy	\$3.92 billion 32778.73 Crore	\$4.20 billion 35150.53 Crore	\$3.58 billion 30042.41 Crore	\$2.92 billion 24421.74 Crore	\$2.95 billion 24708.16 Crore
Air Force	\$5.52 billion 46223.49 Crore.	\$6.72 billion 56272.10 Crore	\$5.46 billion 45667.15 Crore	\$4.27 billion 35687.48 Crore	\$4.14 billion 34611.44 Crore

Table 2: Budget of Indian Armed Forces 2020-2025 in INR Crore and USD billion

Source: Ministry of Finance, India

Military Modernization

While the budget for the Defence Forces did not see a significant rise, military modernization received substantial focus in the budget. A major share of the defence budget – 27 per cent - is allocated for military modernization, which is approximately \$20.64 billion (INR 1,72,000 Crore). This is an increase of 20 per cent from FY 2022-23.⁵ This expenditure is envisaged for the defence modernization that includes both foreign acquisitions and indigenization drive via Ordnance Factories of DRDO. The purpose of this significant increase is two-fold. First, to influence the states in the region; and, second, to seek to elevate India's status to a major power. Table 3 below

⁵ The budget for military modernization in FY2022-23 was INR 1,42,940.01 Crore as per Ministry of Finance, India.

showcases the priority areas of the Indian defence modernization drive and Table 4 highlights the budget for these priority military technologies.

Priority Military Technology	Modernization Plans
1. Defence Equipment	<ul style="list-style-type: none"> The significant focus of the modernization plan includes ‘other equipment,’ which could include equipment from ammunition to Ballistic Missile Defence (BMD) systems. The amount committed for this is about \$7.43 billion, which is significantly high. For comparison, the S-400 cost India \$5.43 billion.⁶
2. Aircraft and Aero Engines	<ul style="list-style-type: none"> The second priority is ‘Aircraft and Aero Engines,’ and the allocated budget for this is \$4.80 billion. The amount demonstrates that India will likely focus on further modernization of its Air Force after the acquisition of Rafale. This could also include the acquisition of the latest versions of unmanned combat aerial vehicles (UCAVs), and fifth-generation fighter jets, and continuing the decades old trial and error with its indigenous jet engines. The Indian Air Force has received a special allocation of (INR 1697.48 Crore) for prototype development, which showcases that the Indian Air Force could be working on improving its indigenous fighters, including Tejas.
3. Nuclear Program	<ul style="list-style-type: none"> India’s nuclear program received a budget of \$2.9 billion (INR 24, 968 Crore). The bulk of this budget is for nuclear power plants, housing India’s weapons programme. This major thrust of the budget is on R&D projects. Evident from the SIPRI report that highlighted a growing stockpile of nuclear weapons (172), India’s efforts to modernise and upgrade its strategic assets are visible in the budget too.
4. Naval Fleet/Dockyards And Indian Ocean Region:	<ul style="list-style-type: none"> While the budget for the Indian Navy did not see a notable rise, the modernization plan received a significant boost. Aligned with enhancing its role and envisaged dominance in the Indian Ocean Region, India has allocated about \$2.84 billion to modernizing its Naval Fleet. This could include the acquisition of nuclear submarines, aircraft carriers, naval fighter jets and latest warships. Additionally, the budget for the modernization of ‘Naval Dockyards/projects’ increased appx 20 percent from the year 2022-23. This shows that India plans to upgrade its shipyards to align with the U.S. ‘Indo-Pacific Strategy’ that intends to utilize the Indian Naval Dockyards for repairs and as a pitstop. The Indian Coast Guards also received \$915 million (INR 7,651.80 crore), marking a 6.31 per cent increase from FY 2023-24. Ultimately, this could enhance India’s policing abilities in the Indian Ocean Region.

⁶ Suhasini Haidar and Dinakar Peri, “India, Russia sign \$5.43 billion S-400 missile deal,” *The Hindu*, October 5, 2018, <https://www.thehindu.com/news/national/india-russia-sign-543-billion-s-400-missile-deal/article25137177.ece>

5. Space Assets

- The budget for space modernization saw a surge of 18 per cent from last year, accounting for \$1.55 billion (INR 13,042 Crore).
- The bulk of this allocation is dedicated to the development of space technology, space applications, space science and the INSAT satellite system by ISRO.
- This includes various communication and remote sensing satellites, tracking and command networking, propulsion systems, electro-optics systems, semi-conductors, lunar exploration, human spaceflight and launch vehicles. This would further propel space militarization and dominance by India.

Table 3: Priority Military Technology as per Indian Defence Budget FY 2024-25

Source: Ministry of Finance, India and author's research

Equipment	Budget
Other Equipment	\$7.43 billion (INR 62,198 Crore)
Aircraft and Aero Engines	\$4.80 billion (INR 40,227 Crore)
Nuclear Program	\$2.90 billion (INR 24, 968 Crore)
Naval Fleet	\$2.84 billion (INR 23,800 Crore)
Space Assets	\$1.55 billion (INR 13,042 Crore)
Construction Works	\$1.44 billion (INR 12,016 Crore)
Naval Dockyard/ Projects	\$815 million (INR 6,830 Crore)
Land	\$278 million (INR 2,329 Crore)
Special Projects	\$188 million (INR 1,574 Crore)
Joint Staff	\$162 million (INR 1,352 Crore)

Table 4: Budget FY 2024-25 Priory Areas of Indian Military Modernization

Source: Ministry of Finance, India

Increased Budget for Border Infrastructure in Northern India

Since the clashes in Galwan Valley in May 2020, India has specifically focused on the development of the border region along the Line of Actual Control (LAC) for military mobilization. For this purpose, the Indian government has been pouring funds into the Border Roads Organization (BRO), a designated Organization for the development of the border region. The allocated budget for BRO stands at \$933 million (INR 7,805 Crore), which is an increase of approximately 70 per cent since the clashes took place, elaborated in Table 5 below:

	2024-25	2023-22	2022-21	2021-20	2020-19
Budget for Border Roads Organization (BRO)	\$933 million 7805 Crore	\$926 million 7750 Crore	\$663 million 5549 Crore	\$603 million 5054 Crore	\$550 million 4616 Crore

Table 5: Budget for Border Roads Organization (BRO)

Source: Ministry of Finance, India

The budget has been allocated for the building of strategic roads and bridges, the acquisition of engineering equipment and the establishment of telecommunications in the border region. India is expected to complete the construction of 2.7-km runway at Nyoma airbase in Ladakh by October 2024, improving aerial combat capabilities.⁷ Additionally, India is upgrading 20 Airbases at its Northern border.⁸ The budget also sets specific grants (INR 55 Crore) for states where the strategic roads will be constructed. However, these grants are not significant enough to develop infrastructure in difficult terrain and climatic conditions. The terrain makes it difficult to access, and due to this a significant amount and time is required.

Challenges to Military Modernization:

- **Reduced budget for the Armed Forces:** The budget allocated for the functioning and operations of the Indian Armed Forces did not see a rise like the previous four years. The Indian government has been trying to cut the expenditure on the Armed Forces as evident from the controversial Agnipath scheme.
- **Unequal Portions for Armed Forces:** The Indian Army secured a lion's share of 71 per cent of the total defence budget allocated for the Armed Forces. The budget allocated for the Indian Navy and Air Force could fall short of meeting the required output. Reduction in the allocated budget for the forces could lead to discontent, which will impact jointness and military theaterization program of Indian Defence Forces.⁹

⁷ Rahul Singh, "Crucial Nyoma runway along LAC set for completion in October," *Hindustan Times*, April 15, 2024, <https://www.hindustantimes.com/india-news/crucial-nyoma-runway-along-lac-set-for-completion-in-oct-101713119968744.html>

⁸ "Indian Air Force Upgrades 20 Airbases at LAC to Counter China | Indian Defence Update," *YouTube*, June 18, 2024, <https://www.youtube.com/watch?v=-WEg7eKKhzE>

⁹ Prakash Nanda, "Indian Air Force 'Unhappy' With Plan To Merge With Army & Navy; Why Theaterisation Could Leave IAF Behind China?," *Eurasia Times*, February 1, 2023, <https://www.eurasiatimes.com/indian-air-force-unhappy-with-plan-to-merge-with-arm/>

- **Adopting Challenges:** Indian military forces remain manpower intensive rather than technologically savvy. Due to this, despite intensive technological advancement drive, the adoption and acceptance of technology still lags.

Implications for Pakistan

Increasing allocations in the defence budget by the Indian government weigh directly on the national security of Pakistan and regional stability. The modernization drive of the Indian military creates significant concerns for Pakistan:

- **Missiles:** The budget of \$7.43 billion for procurement of defence equipment such as Ballistic Middle Defence (BMD) systems could pace up the development and modernization of Indian missiles, forcing Pakistan to upgrade its inventory. Further, the acquisition of BMD could influence deterrence stability in the region.
- **Aerial Fleet:** After its inability to decisively influence the events of February 2019, India has been heavily focused on dominating the skies, which is evident from the special expenditure for Unmanned Combat Aerial Vehicles (UCAVs) and fifth-generation aircraft for both foreign procurements and indigenization drive. This could support India's temptation for cross-border attacks and violate Pakistan's sovereignty and territorial integrity.
- **Naval:** The rising geopolitical temperature in the Indian Ocean region has become a prominent reason to draw a large chunk of the Indian budget for naval expenditure for the naval fleet, nuclear submarines, aircraft carriers, naval fighter jets, and latest warships. This could limit the freedom of navigation for Pakistan. India could seek to act as the dominating police of the region, especially the waters close to the Arabian Sea and Gwadar port.
- **Space & Strategic:** Although the budget for space and atomic programmes are separate from the defence budget, these developments directly impact the security of the South Asian region. With a hike of 28 per cent in space budget since 2022, India's aggressive drive for space modernization and anti-satellite weapons (ASAT) will pose a significant threat to Pakistan's satellites, especially communication and networking satellite. India's increasing stockpile of strategic assets heightens tensions and contributes to strategic instability and an arms race.
- **Border Threats:** A 70 per cent increase in India's expenditure on border infrastructure including the upgradation and construction of airstrips, roads, rails, tunnels, and highways for portability of defence equipment, personnel, assistance and backup could ultimately compel India to assume an aggressive posture in the border region as well as on the LoC.

Conclusion

Despite growing poverty, unemployment and social polarization, India's defence budget has continued to grow at an average growth rate of 10.43 per cent over the past ten years. Over this period, India has aggressively invested in the upgradation and modernization of its defence forces. With an increase of 5.44 per cent, India has set an eye on accessing the latest defence technology including advanced weapon systems, fifth-generation fighter jets, UCVAs, armoured vehicles, tanks, nuclear submarines, marine fighter and patrol aircraft, new satellites and modern nuclear reactors. The foreign acquisition and indigenization of these technologies will further harden India's assertive and hostile posture towards Pakistan. India could also utilize its military strength as a tool for assertive and compelling diplomacy against Pakistan. This could lead to a rise in tensions, compelling Pakistan to heighten military readiness to deal with potential conflict scenarios. Such an environment will contribute to a cycle of antagonism and an arms race, leaving little leeway to manoeuvre for stable peace and security in the region.