

Aiming without arming: The message from the latest defence budget



“I know that today’s era is not the era of war,” Prime Minister Narendra Modi told Russian President Vladimir Putin during a bilateral meeting last September.

Though most Western officials hailed the Indian leader’s words, many others believed Modi was making a rhetorical point in order to create the right optics before the Bali G20 summit in November. But that statement seems to have been lent some credence by the Union Budget presented by finance minister Nirmala Sitharaman, who gave defence short shrift and not even a perfunctory mention in her 87-minute-long speech on 1 February.

Of the central government’s Rs 45,03,097 crore expenditure planned for FY 2023-24, the defence ministry has been allocated Rs 5,93,373 crore, or 13.2% of the total. This is just 1.97% of India’s estimated gross domestic product, and if one excludes the allocation of Rs 1,38,205 crore for defence pensions, it comes down to less than 1.5% of GDP.

The parliamentary standing committee on defence has cried itself hoarse in recent years asking for a defence budget of at least 3% of GDP, this being “optimal and necessary for ensuring the operational preparedness of the Forces” (more on this later). The government has instead slashed it by half, that too at a time when India has been engaged in a military standoff on the China border for the past three years, and while New Delhi’s partners are expecting it to be more militarily assertive in the Indo-Pacific region. And all of this comes as the Ukraine war adversely affects the supply chains for spares and ammunition for the Indian armed forces’ Soviet- and Russian-origin military equipment.

A press release from the defence ministry claims that the 2023-24 defence budget “represents an enhancement of Rs 68,371.49 crore (13%) over the Budget of 2022-23.” But when compared to the revised allocations for 2022-23—a more accurate indicator of actual spending—the rise is a paltry 1.5%. This would not be enough to offset the inflation rate of around 4% projected for the coming year, not to mention the effect that any further decline in the rupee’s exchange rate with the US dollar—the currency in which most of India’s payments for defence procurements are made—would have.

Many nuances

The headline numbers, however, mask a lot of nuance in budgeting and spending. For example, for the current year, the government increased the defence allocation by Rs 24,130 crore to Rs 4,09,500 crore. But the revised estimate includes Rs 28,137 crore to be paid as arrears under the One Rank One Pension scheme, which became due after the government was forced to revise the pensions of ex-servicemen after much dithering on a Supreme Court order. The revision was originally due in 2019, an outcome of the extravagant electoral promise made by Modi in 2013. If the OROP arrears had not become due, the defence ministry's spending would be Rs 4,000 crore lower than the originally budgeted amount.

The burgeoning defence pensions bill is also worrisome. In 2022-23, pensions form 26% of the total defence spending, up from 18% in 2013-14. This is budgeted to fall to 23% next year, but that's still an unsustainable figure. In fact, we have now reached a stage where the defence pension bill of Rs 1,53,414 crore this year is more than the capital expenditure of Rs 1,50,000 crore. To boot, the capital expenditure itself has been less than the budgeted amount of Rs 152,369 crore for this year.

Of the defence ministry's capital expenditure, nearly 70% goes towards procurement of military platforms and equipment for the armed forces. The annual payments include new contracts (which usually include a down payment of 15%) as well as committed liabilities, which are payments due every year based on delivery schedules for contracts covering multiple years.

As the allocation has not been sufficient even for committed liabilities in recent years, the chances of signing new contracts are abysmal. For the last few years, the government has refused to provide the parliamentary standing committee with the amount needed for the committed liabilities. This means the defence ministry either defers payments that are due to defence public sector units, which come under the ministry itself, or raises flimsy objections against deliveries made by private vendors to delay their dues. The result of this funding squeeze is visible in the poor state of modernization of the armed forces, either in the form of massive shortfalls or outdated platforms.

Massive shortfalls

The Indian Air Force is authorized 42 squadrons of fighter jets, but it has only 30. The IAF chief has been publicly asking for an urgent induction of 6-7 combat squadrons but to no avail. A former IAF chief memorably told me in an interview in 2017 that "reduced numbers place a severe handicap, akin to a cricket team playing with 7 players instead of 11."

The navy is no better off, having been forced to shrink its vision of a 200-ship fleet to a 170-ship one, even as it struggles to maintain a fleet of 130 vessels while its demand for a third aircraft carrier is snubbed by the government. The navy needs at least 24 conventional submarines, four SSBNs and six nuclear-powered attack submarines, but has only 15 conventional ones and one SSBN. Most of them are three decades old, and the newly commissioned ones are not fitted with modern weaponry. A 7% increase in the capital budget in 2023-24 is barely sufficient to keep pace with inflation and the rupee's depreciation against the dollar, further widening the gaps in modernization.

The situation is no better in the case of the army, which is short of more than 1 lakh soldiers after the government stopped all recruitment during the pandemic. Even with recruitment now restarted under the short-term contractual scheme called Agnipath, the army—with 13.2 lakh authorized soldiers—remains overstretched due to additional deployments on the China border. Even with these deficits, the annual salary budget of the armed forces is more than Rs 1.5 lakh crore. Taken together with the pensions, the defence services are spending more than Rs 3 lakh crore this year on HR costs. In comparison, the total subsidies on food, fertilizers and petroleum are estimated to be Rs 3,74,707.01 crore.

Such is the squeeze on funds that the government had to enhance the revenue allocations—needed to procure ammunition and spares—for the current year by Rs 26,000 crore just to liquidate the very high carryover of liabilities

from previous years. As I wrote in the [first edition of Command Post](#), instead of having stocks for 50 days of intense fighting, the armed forces are barely trying to make do with stocks for 10 days of war. It's been a few years now since the Comptroller and Auditor General of India stopped making public its audit report on ammunition stocks, which was a big check on the country's political and military leadership.

This is not a 'guns versus butter' debate, especially since India neither seems to be buying guns nor feeding the masses. Meanwhile, it's amply clear that the armed forces are not spending their money smartly. An increasingly greater amount is being used for manpower costs, which leaves too little for military modernization. While additional resources for the defence services, especially for their modernization, would be welcome, [as this paper shows](#), increasing the defence allocation to 3% of GDP is a solution that is neither fiscally nor politically feasible. With the rate of economic growth in the aftermath of the demonetization debacle, the Modi government simply doesn't have those kinds of resources available.

The answer to this conundrum was supposed to come from the Defence Planning Committee established in 2018 under the chairmanship of the national security advisor, Ajit Doval. That committee has been defunct for years already, and even the ongoing border crisis with China since 2020 has not been able to direct the energies of the political leadership towards the challenge of defence preparedness. Fanciful nomenclatures like Agniveer and slogans like Atmanirbharta are no substitute for prudent policymaking. Those expecting a fresh direction for defence modernization in the latest budget are bound to be disappointed. The 'business as usual' exercise from Sitharaman amounts to again asking the Indian military to take aim and be ready to fire, but without being properly armed.

Obiter dicta

Pravin Sawhney's [The Last War: How AI Will Shape India's Final Showdown With China](#) serves as an eye-opener and a warning for the kind of future the Indian armed forces need to be prepared for. [This IDSA paper](#) by L.K. Behera provides detailed insights into the conundrum of defence pensions, while [this Brookings paper](#) by Dhruva Jaishankar on the indigenization of India's defence industry has not aged badly.

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