

## Indian Defense Budget 2025-2026

The 2025-26 Defense reflects India's strategic focus on modernization, self-reliance, and technological advancements, with a total allocation of \$78.3 billion, a 9.5% increase from the previous year.

### 1. Defense Sector

- Total Defense Budget: ₹6,81,210 crore (\$78.3 billion)
- Increase from Previous Year: +9.5%
- Share of Total Budget: Approximately 13.4%

**Revenue Expenditure vs Capital Outlay.** Revenue covers salaries, pensions, and other operational expenses. Capital outlay is dedicated to modernization efforts and procuring new weapons and equipment. The defense budget has significantly increased, but a substantial portion is allocated to revenue expenditure, primarily covering salaries and pensions. The capital outlay has increased by 4.6% which may be insufficient for comprehensive modernization efforts. Further, compared to last year's estimates, the revenue expenditure share of the total defense budget has increased slightly (from 45.5% to 45.8%), while the capital outlay share has declined (from 27.7% to 26.4%).

Category	2024-25 (₹ Crore / \$ Billion)	2025-26 (₹ Crore / \$ Billion)	% Change
<b>Total Allocation</b>	<b>₹6,21,000 / \$71.4B</b>	<b>₹6,81,210 / \$78.3B</b>	<b>+9.53%</b>
<b>Revenue Expenditure</b>	<b>₹2,82,773 / \$32.5B</b>	<b>₹3,11,732 / \$35.8B</b>	<b>+10.24%</b>
<b>Capital Outlay</b>	<b>₹1,72,000 / \$19.7B</b>	<b>₹1,80,000 / \$20.7B</b>	<b>+4.65%</b>

The 2024-25 figures are based on budget estimates. However, revised estimates indicate that the armed forces underspent ₹12,500 crore (\$1.4B) of the ₹1.72 lakh crore (\$19.7B) capital outlay.

**Capital Acquisitions.** Of the ₹1,80,000 crore (\$20.7B) capital outlay, ₹1,48,722.80 crore (\$17.1B) is allocated for armed forces modernization, while ₹31,277.20 crore (\$3.6B) is earmarked for research and development (R&D) and infrastructure development. Since FY 2020-21, India's defense modernization strategy has prioritized domestic procurement to strengthen self-reliance, earmarking 75% of capital acquisitions for domestic industry. In FY 2025-26 this trend continues as ₹1,11,544.83 crore (\$12.8B) is allocated for domestic acquisitions, with ₹27,886.21 crore (\$3.2B), or 25%, reserved for private sector defense manufacturing.

Particulars	Allocations (INR Crore)	Allocations (USD Billion)	% of Total Capital Outlay
<b>Aircraft and Aero Engines</b>	48,614	5.6	27%
<b>Other Equipment</b>	63,099	7.3	35%
<b>Naval Fleet</b>	24,391	2.8	14%
<b>Construction Works</b>	11,452	1.3	6%
<b>Technology Development</b>	2,037	0.24	1%
<b>Others (Land, Naval Dockyards, Special Projects, etc.)</b>	30,407	3.5	17%
<b>Portion of Total Expenditure Covered</b>	<b>180,000</b>	<b>20.7</b>	<b>100%</b>

**Prototype Assistance Under 'Make' Procedure.** Army Projects have been allocated ₹335 crore (\$38.5M) seeing a substantial year-on-year (YoY) increase of 235 percent. Air Force Projects have been allocated ₹1,702 crore (\$195.6M), an increase of about 351 percent over the revised estimates from last year.

**Investment in Public Enterprises.** Allocations for investment in public enterprises is captured below.

Enterprise	Allocation (₹ Crore)	Allocation (\$ Million)
<b>Armoured Vehicles Nigam Limited (AVNL)</b>	<b>₹173.00</b>	<b>\$20.0M</b>
<b>Advanced Weapons and Equipment India Limited</b>	<b>₹329.00</b>	<b>\$38.0M</b>
<b>Gliders India Limited</b>	<b>₹2.50</b>	<b>\$0.3M</b>
<b>India Optel Limited</b>	<b>₹6.00</b>	<b>\$0.7M</b>
<b>Munitions India Limited</b>	<b>₹745.50</b>	<b>\$85.7M</b>
<b>Troop Comforts Limited</b>	<b>₹10.00</b>	<b>\$1.1M</b>
<b>Yantra India Limited</b>	<b>₹228.00</b>	<b>\$26.2M</b>

**Revised Capital Budget Structure.** Previously, the defense capital budget provided separate allocations for the Army, Navy, and Air Force under distinct sub-heads. However, since the last budget, these allocations have been consolidated into a single category, making it more challenging to determine the exact funding distribution for each service.

**Year of Reforms.** The Ministry of Defence (MoD) has designated 2025 as the "Year of Reforms", signaling a major shift in defense acquisition processes. In December 2024, the MoD announced that the Defence Acquisition Procedure (DAP) 2020 is set for a comprehensive revamp this year, aiming to streamline procurement and enhance efficiency in defense acquisitions.

## 2. Other Key Defense Allocations

### Defense Research and Development Organization (DRDO)

- **Total Allocation:** ₹26,816.82 crore (\$3.1 billion) (+12.4% YoY)
- **Purpose:** Supports indigenous defense R&D, including advanced weapon systems and strategic technologies.
- **Breakdown:**
  - ₹14,923.82 crore (\$1.72 billion) allocated for capital expenditure and R&D projects, including Development-cum-Production Partner projects and Technology Development Fund schemes.

### Indian Coast Guard (ICG) Budget

- **Total Allocation:** ₹9,676.70 crore (~\$1.1 billion) (+26.5% YoY)
- **Capital Outlay:** ₹5,000 crore (~\$574.7 million) (+43% YoY from ₹3,500 crore)
  - Enables acquisition of Advanced Light Helicopters (ALH), Dornier Aircraft, Fast Patrol Vessels (FPVs), Training Ships, and Interceptor Boats.
- **Revenue Allocation:** ₹4,676.70 crore (\$537.5 million) (+12.6% YoY)
  - Covers manpower expansion, operational costs, and inflation adjustments.
- **Strategic Importance:** Strengthens coastal security and supports neighboring nations and commercial ships in emergencies.

### Border Roads Organisation (BRO) Budget

- **Total Allocation:** ₹7,146.50 crore (\$821.4 million) (+9.74% YoY)
- **Objective:** Enhances border infrastructure for armed forces' mobility in difficult terrains.
- **Key Projects:** LGG-Damteng-Yangtse (Arunachal Pradesh), Asha-Cheema-Anita (J&K), and Birdhwal-Puggal-Bajju (Rajasthan)

### Space Sector Budget & Initiatives

- **Total Capital Budget:** ₹6,103 crore (\$701.5 million) (+10% YoY, +30% over revised estimates). Allocations support key Initiatives under India's Space Vision 2047, like the *Gaganyaan* Follow-On Mission, *Chandrayaan-4* Lunar Sample Return Mission, Venus Orbiter Mission.

## 3. Infrastructure and Technology

### Maritime Development Fund

- **Allocation:** ₹25,000 crore (\$2.87 billion)
- **Purpose:** Enhancing maritime infrastructure and capabilities, with 49% government contribution and the remainder from ports and private sector investments.

## Shipbuilding Reforms

- Revamped Shipbuilding Financial Assistance Policy to address cost disadvantages.
- Credit Notes for shipbreaking in Indian yards to promote a circular economy.
- Large ships (above a specified size) to be included in the Infrastructure Harmonized Master List (HML).
- Shipbuilding Clusters to expand ship categories and capacity, supported by infrastructure, skilling, and technology development.

## Mining Sector Reforms

- Introduces a new policy for critical mineral recovery from tailings to enhance resource efficiency.

## National Geospatial Mission

- **Objective:** Develop foundational geospatial infrastructure and data for urban planning and defense applications.

## National Quantum Mission

- **Allocation:** ₹600 crore (\$68.9 million). The allocation is a sevenfold increase from last year's ₹86 crore (\$9.8M).
- **Purpose:** Boosting quantum R&D for secure communications, computing, and critical technologies.

## Nuclear Energy Initiatives

- **Proposed Amendments:** Revisions to Civil Liability for Nuclear Damage Act (2010) and Atomic Energy Act (1962) to attract foreign & private investment.
- **Nuclear Energy Mission:**
  - **Allocation:** ₹20,000 crore (\$2.29 billion)
  - **Target:** 100 GW nuclear energy by 2047, with 20 GW by 2032.
  - **Initiative:** Deployment of five indigenously developed small modular nuclear reactors by 2033.

## 4. Innovation, Investment, and SMEs

### Innovations for Defence Excellence Initiative or iDEX

- **Allocation:** ₹449.62 crore (\$51.68 million). The allocation has nearly tripled in two years, reflecting strong government backing for defense startups.

## Research, Development, and Innovation

- **Total Allocation:** ₹20,000 crore (\$2.29 billion)
- **Objective:** Implements the private sector-driven R&D and innovation initiative announced in July 2024 Budget.

## Deep Tech Fund of Funds

- **Proposal:** Establishing a Deep Tech Fund to support next-gen startups in emerging technologies.

## Prime Minister's Research Fellowship

- **Initiative:** 10,000 fellowships for advanced technological research in IITs, IISc, and premier institutions, with enhanced financial support.

## Credit Guarantee Scheme for SMEs

- **Credit Guarantee Cover:** Up to ₹10 crore (~\$1.14 million)
- **Purpose:** Provides collateral-free loans, supporting modernization, expansion, and competitiveness of SMEs.

## Fund of Funds for Startups

- **Government Contribution:** ₹10,000 crore (~\$1.14 billion)
- **Objective:** Equity funding to catalyze private investment and strengthen the startup ecosystem.

## National Manufacturing Mission

- **Purpose:** Policy support under *Make in India* to boost domestic production and reduce import dependence.
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