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An Analysis Of India's Defence Budget 2024-2025: Balancing Modernization And Manpower Costs

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Abstract:

The Defence Budget for the fiscal year 2024-2025 reflects India's strategic priorities in strengthening its military capabilities amid evolving geopolitical challenges. The total allocation of ₹6.81 trillion marks a 9.5% increase from the previous year, highlighting the government's commitment to national security. However, a significant portion of this budget is directed toward revenue expenditure, specifically salaries and pensions, which constitute over 50% of the total allocation. This raises concerns about the availability of funds for critical modernization efforts, including procurement of advanced weaponry, indigenous defence production, and research and development (R&D) in emerging technologies such as artificial intelligence (AI), cybersecurity, and space-based defence systems.

This research paper provides an in-depth analysis of the 2024-2025 Defence Budget, examining the balance between capital and revenue expenditures. It explores the implications of these allocations on India's defence preparedness, operational efficiency, and long-term modernization goals. Comparisons with global defence spending patterns, particularly in China and the United States, offer insights into how India's expenditure aligns with international standards. The study also highlights key policy recommendations to optimize defence spending, such as enhancing private-sector participation in defence manufacturing under the "Atmanirbhar Bharat" initiative, restructuring manpower costs, and adopting cost-effective procurement strategies.

By analyzing past trends, current allocations, and future projections, this paper aims to provide a comprehensive understanding of how India's Defence Budget 2024-2025 will impact national security, economic sustainability, and technological advancements in the defence sector. The findings contribute to discussions on policy reforms and strategic investments needed to ensure India remains competitive in an increasingly complex global security environment.

Keywords:

Defence Budget 2024-2025, Military Modernization, Revenue Expenditure, Capital Outlay, Indigenous Defence Production, Atmanirbhar Bharat, Artificial Intelligence in Defence, Cybersecurity, Geopolitical Challenges, Defence Policy, Strategic Investments, Manpower Costs, Procurement Strategies, Global Defence Spending, National Security.

1. Introduction

National security is a cornerstone of any nation's stability and development, necessitating continuous investment in defence capabilities. In the contemporary geopolitical landscape, India faces multifaceted security challenges, including border tensions, cyber threats, terrorism, and the evolving nature of warfare driven by technological advancements. The Defence Budget serves as a crucial tool in addressing these challenges, ensuring that the armed forces remain well-equipped, technologically advanced, and prepared for emerging threats.

The Union Budget for the fiscal year 2024-2025 allocated ₹6.81 trillion to defence, reflecting a 9.5% increase from the previous year. This increase underscores the government's commitment to enhancing military readiness, bolstering indigenous defence production, and sustaining long-term strategic objectives. However, a key concern within the budgetary framework is the distribution of funds between revenue and capital expenditures. A substantial portion of the allocation is directed toward salaries, pensions, and maintenance costs, limiting the funds available for procurement of cutting-edge weaponry, research in emerging defence technologies, and infrastructure modernization.

India's defence budget is shaped by both internal and external factors. Internally, it must balance economic constraints, the need for military modernization, and social welfare spending. Externally, it must keep pace with the rapidly evolving security landscape, particularly in the Indo-Pacific region, where strategic rivalries are intensifying. The budget plays a pivotal role in sustaining deterrence capabilities, fostering self-reliance in defence production under initiatives such as "Atmanirbhar Bharat," and aligning military preparedness with contemporary warfare requirements.

This research paper examines the 2024-2025 Defence Budget in depth, analyzing its impact on modernization, operational readiness, and strategic defence planning. By evaluating trends in defence expenditure, comparing India's budgetary allocation with global standards, and exploring policy recommendations for optimizing spending, this study provides a comprehensive perspective on the challenges and opportunities within India's defence sector.

The objective of this paper is to assess whether the current budget effectively addresses the pressing needs of the armed forces while ensuring financial sustainability. It aims to provide insights for policymakers, defence analysts, and stakeholders on how to enhance resource allocation, strengthen indigenous production capabilities, and maintain a technologically superior defence force in an increasingly complex global security environment.

2. Overview of the 2024-2025 Defence Budget

The Defence Budget for the fiscal year 2024-2025 reflects India's ongoing commitment to strengthening its military capabilities, modernizing its armed forces, and addressing emerging security challenges. The total allocation for the Ministry of Defence (MoD) stands at **₹6.81 trillion (₹6,81,000 crore)**, marking a **9.5% increase** from the previous year. This allocation includes funding for the Indian Army, Navy, Air Force, research and development (R&D), defence pensions, and capital acquisitions.

The budget distribution continues to highlight a long-standing trend—a **significant portion of the allocation is directed toward revenue expenditure, including salaries, pensions, and maintenance costs**. While these expenditures are crucial for sustaining the operational readiness of the armed forces, they limit the resources available for capital acquisitions, which are essential for modernization and procurement of advanced defence systems.

This section provides a detailed breakdown of the defence budget, analyzing its key components, allocations for different branches, and its alignment with India's strategic defence goals.

1. Key Budgetary Allocations

The ₹6.81 trillion defence budget is divided into several components, each serving a specific function in maintaining and enhancing India's military capabilities. These components include:

a) Revenue Expenditure – ₹4.24 Trillion

Revenue expenditure accounts for a major portion of the budget, covering expenses such as salaries, pensions, maintenance of equipment, training, and administrative costs. The key allocations under this segment include:

- **Defence Pensions:** Over ₹1.4 trillion is allocated for defence pensions, which remains one of the largest single expenditures in the budget. The rising pension costs are attributed to the increasing number of retired personnel and the implementation of the One Rank, One Pension (OROP) scheme.
- **Operational & Maintenance Costs:** A significant portion is also dedicated to the operational readiness of the Indian Army, Navy, and Air Force, ensuring that military bases, equipment, and logistical support remain functional.

b) Capital Expenditure – ₹1.72 Trillion

Capital expenditure is critical for the modernization of the armed forces, including procurement of new weapon systems, aircraft, naval ships, and advanced surveillance technologies. This includes:

- **Indian Air Force:** ₹486 billion allocated for aircraft and aero-engine acquisitions, including procurement of fighter jets, transport aircraft, and drones.
- **Indian Navy:** ₹243.9 billion for naval modernization, including the construction of new warships, submarines, and maritime security systems.
- **Indian Army:** Funds allocated for new-generation tanks, artillery systems, and modernization of infantry combat gear.

c) Defence Research & Development (R&D)

A crucial aspect of the budget is investment in defence research, which is essential for reducing dependency on foreign military imports and fostering domestic innovation under the "Atmanirbhar Bharat" initiative. The budget provides increased allocations for the Defence Research and Development Organisation (DRDO) to enhance indigenous capabilities in critical areas such as:

- Artificial Intelligence (AI) and Cybersecurity
- Unmanned Aerial Vehicles (UAVs) and Drones
- Missile Development Programs (e.g., Agni and BrahMos missiles)
- Space-based Defence Systems

2. Allocation for the Three Armed Forces

Each branch of the Indian Armed Forces receives a designated portion of the defence budget based on their operational requirements and modernization plans.

Branch	Budget Allocation (₹ Trillion)	Key Investments
Indian Army	2.03	Infantry modernization, new combat vehicles, enhanced border security infrastructure
Indian Navy	0.90	Warship construction, submarine upgrades, maritime security enhancements
Indian Air Force	1.23	Aircraft procurement, air defence systems, surveillance technologies

3. Key Policy Focus Areas

The 2024-2025 Defence Budget is shaped by several key policy priorities aimed at enhancing India's strategic military posture:

1. Indigenous Defence Production

- Continued emphasis on **Make in India** and **Atmanirbhar Bharat**, promoting domestic manufacturing of defence equipment.
- Strengthening partnerships with private industry and defence startups.
- Expansion of production facilities for indigenous aircraft, missiles, and defence electronics.

2. Modernization of Armed Forces

- Upgrading military infrastructure along India's borders with China and Pakistan.
- Procurement of next-generation aircraft, submarines, and advanced surveillance systems.
- Expansion of cyber and electronic warfare capabilities.

3. Cybersecurity & Space Defence

- Increased investment in cybersecurity to counter growing cyber threats.
- Strengthening India's space-based defence infrastructure, including surveillance satellites and anti-satellite capabilities.

4. Personnel Welfare & Pension Reforms

- Implementation of better healthcare, housing, and benefits for serving personnel.
- Measures to manage rising pension costs without compromising financial sustainability.

4. Comparison with Global Defence Budgets

India remains the **third-largest military spender in the world**, following the **United States and China**. However, the structure of India's defence budget differs significantly:

Country	Total Defence Budget (2024-25) (USD Billion)	Capital Expenditure Share
United States	850	35-40%
China	290	30-35%
India	82	25-27%

While the U.S. and China allocate a greater proportion of their budgets to modernization and technology, India continues to devote a substantial percentage to revenue expenditure, limiting its ability to invest in advanced defence systems. This highlights the need for **budgetary reforms to reallocate funds toward modernization** without compromising operational efficiency.

5. Challenges & Future Considerations

Despite the increase in the 2024-2025 defence budget, several challenges remain:

- **High Manpower Costs:** Salaries and pensions consume a significant share, reducing funds available for modernization.
- **Delayed Procurement Processes:** Bureaucratic delays in acquiring new military equipment hinder rapid modernization.

- **Dependence on Imports:** Although India is making strides in domestic production, a **large percentage of critical defence systems are still imported** from countries like Russia, France, and the U.S.
- **Geopolitical Pressures:** Growing tensions in the Indo-Pacific region demand **faster modernization and strategic alliances** to counter potential threats.

To overcome these challenges, **defence spending must be restructured**, with a greater focus on **capital outlay, technological advancements, and streamlined procurement processes**.

3. Allocation Analysis

The Defence Budget for 2024-2025 is structured to balance operational readiness, personnel costs, and modernization efforts. However, a major portion of the budget is allocated to revenue expenditure, particularly salaries and pensions, which limits the available funds for capital acquisitions and research in emerging defence technologies. This section provides a detailed breakdown of budget allocations and an analysis of the implications of this spending pattern.

1. Breakdown of Defence Budget Allocation

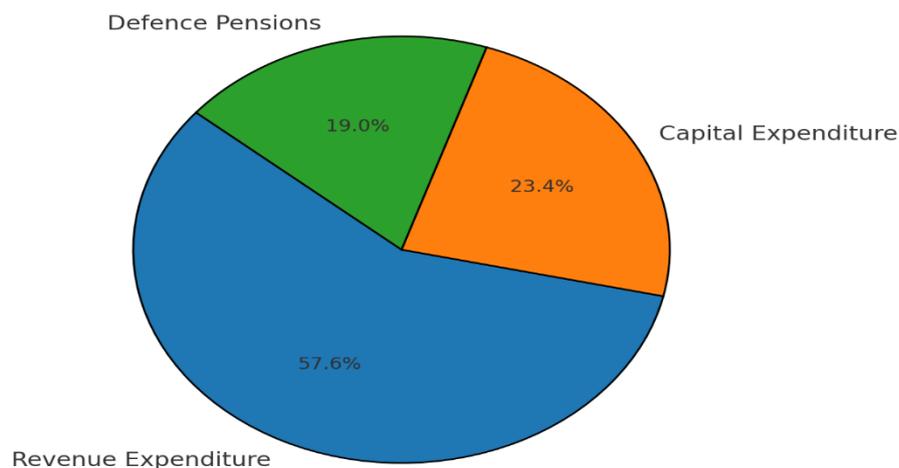
The total defence budget for 2024-2025 is ₹6.81 trillion (₹6,81,000 crore), which is distributed across three major categories:

1. Revenue Expenditure (₹4.24 trillion, 62.3%) – Covers salaries, pensions, maintenance, and day-to-day operational costs.
2. Capital Expenditure (₹1.72 trillion, 25.2%) – Includes procurement of new weapons, aircraft, warships, and infrastructure modernization.
3. Defence Pensions (₹1.4 trillion, 20.5%) – Pays for retired military personnel under the One Rank, One Pension (OROP) scheme.

2. Visual Representation: Budget Allocation Chart

To better understand the allocation, let's visualize the distribution of funds in a pie chart showing how the defence budget is divided.

Defence Budget 2024-2025 Allocation (₹6.81 Trillion)



The pie chart above illustrates the distribution of the Defence Budget 2024-2025:

- Revenue Expenditure (62.3%) – The largest portion of the budget is allocated to salaries, maintenance, and operational costs.
- Capital Expenditure (25.2%) – Funds set aside for military modernization, including procurement of advanced weaponry and defence infrastructure.
- Defence Pensions (20.5%) – A substantial expenditure supporting retired personnel under the One Rank, One Pension (OROP) scheme.

3. Component-Wise Analysis of Budget Allocation

a) Revenue Expenditure: ₹4.24 Trillion (62.3%)

Revenue expenditure is crucial for maintaining the daily operations of the armed forces. However, the high proportion of funds allocated to salaries and maintenance significantly reduces financial flexibility for new acquisitions.

Key Components of Revenue Expenditure:

- Salaries and Allowances for Active Personnel – More than ₹2 trillion is allocated for active-duty personnel.
- Maintenance of Equipment and Bases – Covers operational costs of fighter jets, warships, and army installations.
- Training and Logistics – Ensures operational preparedness, mobility, and supply chain efficiency.

Implications:

- Pros: Ensures combat readiness and smooth operation of existing defence assets.
- Cons: Leaves limited funds for new acquisitions and cutting-edge technology adoption.

b) Capital Expenditure: ₹1.72 Trillion (25.2%)

Capital expenditure is essential for modernizing India's military by acquiring new aircraft, warships, and missile systems.

Key Investments in Capital Expenditure:

- Indian Air Force (IAF): ₹486 billion for fighter jets (Rafale, Tejas Mk2), transport aircraft, and drones.
- Indian Navy: ₹243.9 billion for submarines (Project 75), warships, and aircraft carriers.
- Indian Army: Funds for artillery, missile defence systems, and next-gen combat vehicles.
- Space and Cyber Defence: Increased allocations for satellite-based surveillance and cybersecurity infrastructure.

Implications:

- Pros: Strengthens India's deterrence and strategic capabilities.
- Cons: Still lower than required levels to match threats from China and Pakistan.

c) Defence Pensions: ₹1.4 Trillion (20.5%)

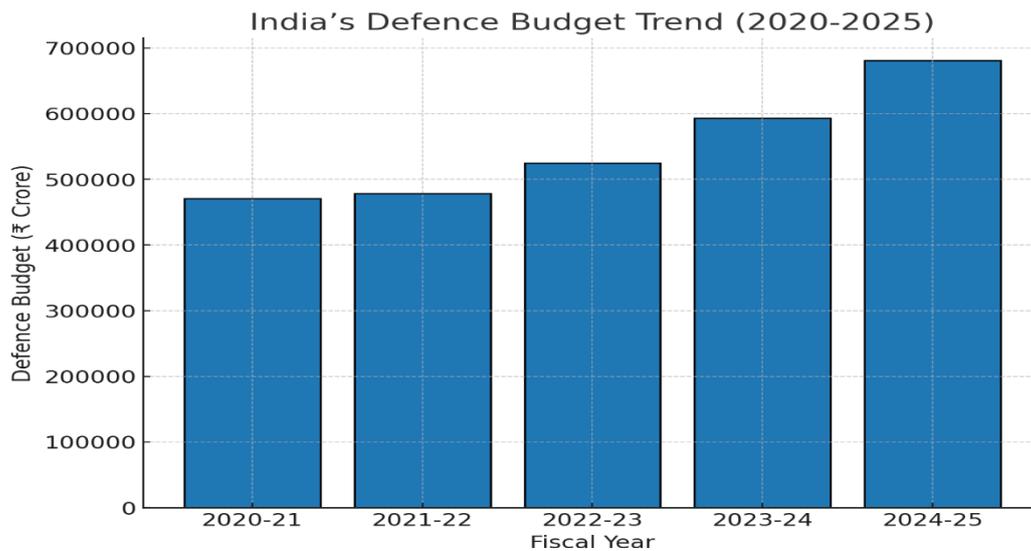
Pension payments for retired military personnel form a major component of India's defence expenditure. The growing cost of the One Rank, One Pension (OROP) scheme has significantly increased this burden.

Implications:

- Pros: Supports veterans and ensures financial security for retired personnel.
- Cons: Reduces funds available for procurement and modernization.

4. Trends in Defence Expenditure (Past 5 Years)

To understand the growth of defence spending, let's visualize the trend of India's defence budget over the past five years.



The bar chart above illustrates the steady increase in India's defence budget over the past five years. Key observations include:

- The budget has grown from ₹4.71 trillion in 2020-21 to ₹6.81 trillion in 2024-25, reflecting a consistent rise in defence spending.
- The most significant increase occurred in 2023-24 and 2024-25, aligning with rising geopolitical tensions and the need for military modernization.

5. Comparison with Global Defence Spending

India ranks as the third-largest military spender globally, following the United States and China. However, its capital expenditure as a percentage of total budget remains lower compared to these countries.

Country	Total Defence Budget (2024-25) (USD Billion)	Capital Expenditure Share
United States	850	35-40%
China	290	30-35%
India	82	25-27%

Key Insights:

- The U.S. and China allocate a larger portion of their budgets to modernization, while India still spends a significant amount on salaries and pensions.
- To match evolving global threats, India needs to increase capital outlay for advanced military technologies.

6. Recommendations

Reallocation of Budget Priorities

Shift a higher percentage of funds from revenue expenditure (salaries and pensions) to capital expenditure (modernization and acquisitions).

Implement manpower optimization strategies, including greater use of automation and technology, to manage costs effectively.

Consider pension reforms, such as contributory pension schemes or alternate models, to reduce long-term financial burden.

Streamlining Procurement Processes

Reduce bureaucratic delays by simplifying and modernizing procurement procedures.

Establish a centralized defense procurement authority with accountability mechanisms to ensure timely decision-making.

Introduce performance-based evaluations for procurement officials to improve efficiency and transparency.

Strengthening Indigenous Defense Manufacturing

Accelerate the "Make in India" and "Aatmanirbhar Bharat" initiatives by increasing domestic defense production capacity.

Offer tax incentives, subsidies, and funding support to private defense manufacturers and startups.

Expand collaborations between government, academia, and private industry to foster research and development (R&D) in emerging technologies.

Encourage joint ventures with global defense firms for technology transfer and skill development.

Enhancing Military Modernization

Prioritize investments in next-generation weapon systems, including hypersonic missiles, AI-driven defense solutions, and drone warfare capabilities.

Upgrade aging military infrastructure, including airbases, naval docks, and logistics networks.

Expand space defense capabilities by investing in satellite-based surveillance, anti-satellite weapons, and electronic warfare systems.

Accelerating the Formation of Integrated Theatre Commands

Expedite the establishment of joint theatre commands to improve synergy between the Army, Navy, and Air Force.

Reduce redundancies in military operations through a unified command structure.

Develop an integrated logistics framework to optimize resource utilization and reduce costs.

Strengthening Cybersecurity and Emerging Technology Investments

Allocate greater resources to cyber warfare, electronic intelligence, and artificial intelligence-driven defense systems.

Establish dedicated cyber defense units within the armed forces to counter evolving digital threats.

Develop indigenous cybersecurity solutions to reduce dependence on foreign software and hardware.

Enhancing Defense Diplomacy and Strategic Partnerships

Strengthen military-to-military cooperation with allied nations through joint exercises and defense technology-sharing agreements.

Expand participation in multilateral defense forums like QUAD and BRICS for joint defense development initiatives.

Boost defense exports by incentivizing domestic companies to manufacture and sell arms to friendly nations.

Reforming Financial Oversight and Accountability

Improve transparency in defense budget allocations through independent audits and public disclosures.

Introduce real-time monitoring of defense expenditure using digital tracking systems to minimize inefficiencies.

Ensure that budget allocations align with strategic priorities rather than legacy expenditure patterns.

7. Conclusion

The defense budget for 2024-25 reflects a steady yet constrained approach to military expenditure, balancing personnel costs with the need for modernization. While the overall allocation has increased, a significant portion is dedicated to salaries, pensions, and other operational expenses, leaving limited room for critical capital investments. This creates a persistent challenge for long-term military preparedness, as modernization efforts must compete with rising manpower costs.

Despite the government's commitment to strengthening national security, the allocation for new acquisitions and infrastructure development may fall short of the requirements needed to address evolving threats. India faces a complex geopolitical landscape, with tensions along its borders and the need to maintain strategic deterrence. The increasing reliance on indigenous defense manufacturing through initiatives like "Make in India" is a step toward self-reliance, but it requires sustained and focused investment to yield tangible results. Additionally, concerns remain regarding the efficiency of budget utilization. The defense procurement process has historically been slow, leading to delays in acquiring essential equipment. Without systemic reforms, even an increased capital outlay may not translate into swift and effective modernization. The fiscal constraints and competing priorities within the national budget also limit the possibility of significantly boosting defense expenditure without affecting other critical sectors like healthcare, education, and infrastructure.

Ultimately, while the budget attempts to maintain a delicate balance, it highlights the broader challenge of meeting security demands in a financially sustainable manner. Moving forward, a more strategic approach to defense spending—one that prioritizes efficiency, innovation, and long-term capability building—will be crucial in ensuring that India remains prepared for emerging security challenges.

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