

Defense Budget: Insufficient Allocation for Modernization of Forces

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BW. Thangamani

Associate Professor, Department of Economics

National Defence Academy, Pune, Maharashtra, India

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Abstract

The Indian defense sector is growing at an unprecedented rate in comparison with other leading countries. India is ranked as the 5th largest investor in defense globally. India established itself as the World's largest arms importer, with 70 percent of its defense procurement coming from foreign companies. The threat from China and Pakistan and their growing defense capabilities have led to a modernization drive; the present government has increased its allocation for capital expenditure to buy fighter jets and expand the naval force. In general, several pressing security issues largely determine the direction of India's security policy and its military spending. First, the insurgency in Kashmir and the related conflict with Pakistan remain unsolved. Indian armed forces are steadily undergoing modernization, such as futuristic soldier systems and missile defense systems. However, the allocation of resources has been severely inadequate in the recent past that fails to address the various needs of the armed forces in India. This paper will focus on the distribution of funds between capital and revenue expenditure and its significance.

Keywords: Defense Budget; Indian army, Armed Forces, Management, LTIPP, and GDP

Introduction

Modernization is a continuation process for any army; the Indian army has the responsibility of countering the threat of two countries, Pakistan and China, insurgency operations in J&K as well as North East. Both these nations are modernizing their armed forces at a rapid pace. Therefore modernization processes of the armed forces have been explicitly declared out in the long term integrated perspective plan (LTIPP), which was approved by the Ministry of Defense. Following these threats in view, there is a definite need to enhance our technologies that are important to the Indian army; based on these aspects, the emphasis is being given to delivering projects which are Make in India, which in turn enhances our indigenous capability.

Recently we have observed that there are two distinct features of the defense budget, the first is declining share of the defense budget in the GDP due to its minimal growth, and the second feature is the proportional reduction of capital outlay which in turn had affected the fresh procurement of modern equipment and indigenization efforts. On the contrary, defense procurement has been mired into procedural delays also. Every year a large sum of money from the defense budget is surrendered as 'unspent' to the treasury. This paper aims to describe the concept of modernization of armed forces and their problems.

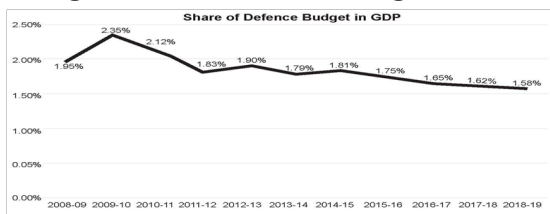
The Following are the Objectives of the Study

1. To analyze the reasons for modernizing armed forces.
2. To find out the reason for procuring largest arms from world countries over the years
3. To give suggestion and conclusions for the objectives as mentioned above

Defense Expenditure as a Percentage of GDP

The global military spending is estimated to be approximately 2.1 percent of the world's GDP. In India, the defense budget has remained less than 2 percent of the GDP. The military budget finances employee salaries and training costs, maintenance of equipment and facilities, support for new or ongoing operations, and Procurement of new weapons, vehicles, and equipment. In most countries, so as in the US, defense pensions are managed by the department of veteran affairs, and they do not form a part of the defense budget. Moreover, salaries and maintenance, which is the revenue outlay, are part of all government departments and ministries. Therefore Indian defense budgeting needs a radical transformation and long term perspective plan that needs to be continuity in its strategy and investment.

Figure 1 Share of Defense Budget in GDP

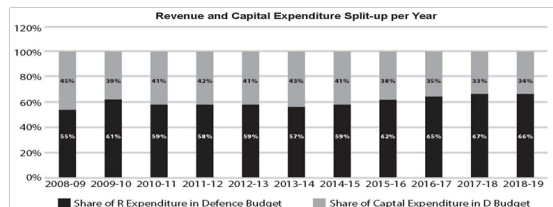


Source: Defense expenditure figures RBI publications. Table no 102 of RBI significant expenditure heads of the central government

The above figure explains that unlike other developing countries, India's defense expenditure in terms of GDP has been declining since 2012-13 onwards. China's defense budget for 2018 was 1.9 percent of its GDP, but we need to remember that its economy is five times bigger than ours. The real comparison is that China is estimated to spend \$278 billion (as calculated by SIPRI) on its defense, while India's effective expenditure is expected to be approximately \$44 billion. Russia spends 4.5 percent of its GDP, while countries such as Israel and Saudi Arabia spend five and ten percent, respectively. Quite obviously, defense expenditures are determined not just by the security environment alone, but more importantly, by national objectives described to its international role in its perception. Therefore, the defense budget should address the needs of national capability in terms of military power, technological control, and strategic autonomy.

As new evidence emerges now, it grows clear that this is a deeply flawed interpretation of the history of modern India. However, most will see the reason that defense is necessary to ensure a secure and stable nation. The defense budget, therefore, should have continuity and long-term strategy linked to national development and growth. The following figure explains the share of revenue and capital expenditure from 2008-9 to 2018-19.

Figure 2 Revenue and Capital Expenditure



Source: Controller General of Defense Accounts, Ministry of Defense, Government of India

The above figure reveals that the defense expenditure allocated in the yearly budget from 2008-09 to 2018-19 has given more contribution towards revenue expenditure than capital expenditure. The data also signifies that the area of capital expenditure allocation is barely 34 percent of the overall budget, while revenue expenditure is as high as 66 percent." Over the last ten years, capital outlay has consistently reduced from about 45 percent to 34 percent. As a result, there has been a cascading effect of postponing or delaying most procurement due to the huge costs involved. The need of the hour is long-term planning for modernization and to improve it with committed funding.

India Imports Largest Arms from World Countries

According to the latest reports of the Stockholm International Peace Research Institute (SIPRI), India stands fifth on the list of world's biggest military spenders as of 2016. India imports arms from countries such as Russia, the US, Europe, and Israel.

India's defense industries dominated by the Public sector and defense ministry find it difficult to promote the private sector. Roughly 60% of India's defense requirements met through imports.

Importing defense equipment's from major arm producing countries has ensured and enhanced India's defense on the global front.

Now, India is moving towards its defense system, prompting it under its 'Make in India' initiative. Many praiseworthy signs of progress are seen in missile technology building India's defense equipment. There should be an effective private-public partnership and joint-production with foreign firms to be ensured for the growth of India's defense Industry.

Conclusion

The above concepts explain that the maximum fund allocated to the defense sector has been utilized for revenue expenditure purposes rather than capital outlay. Moreover, public sector companies are unable to provide the adequate equipment on time; As a result, we tend to import maximum equipment from other countries that cost a huge amount due to depreciation of rupee against US\$. Therefore we can conclude that the modernization of armed forces is inevitable for future aspects. On the contrary Chinese president Xi Jinping announced defense spending of around \$180 billion in 2018 for modernizing the military force in the recent past. The reduction in modernization funds for the forces can prove detrimental to the country's national security. "Make in India" vision allows greater participation of the country's defense industry, and foreign companies jointly manufacture warship, submarine, aircraft, helicopter, and aero-engine. This gives Indian industry access to international technology and, the offsets policy allows them to export the products.

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Author Details

Dr. BW. Thangamani, Associate Professor, Department of Economics, National Defence Academy, Pune, Maharashtra, India, **Email ID:** thangamaniw1903@gmail.com.

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