



Union Budget 2023–24

Defence continues to receive a budget impetus for achieving Aatmanirbharta and modernisation

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The budgetary allocation (excluding the pension and civilian defence budget) for 2023–24 has seen an increase of 12.3% over the last year, which is the highest growth in the last decade.

Driven by geopolitical tensions at the borders, threat perception as well as the pressing need to make the Armed Forces ready for future warfare, the defence sector has been allocated INR 432,720 crore, which amounts to a total budget of INR 593,537 crore after including the pension and civil defence budget. This increase is largely due to the 15.9% growth in the revenue budget, while the capital budget grew at 6.7%. As per the revised estimates, revenue expenditure will exceed the budgetary allocation by 11.4% because of emergency purchases. However, the capital budget for 2022–23 will remain underutilised by around 1.5%.

Subsequent to skirmishes on the northern border, the Government wishes to strengthen the border infrastructure and has allocated INR 5,000 crore for 2023–24, an increase of 43% over INR 3,500 crore allocated for the ongoing year. The Agnipath scheme has received a separate budgetary allocation of INR 4,266 crore for funding the training equipment and activities for Agniveers and initiatives for their welfare, including the Agniveer Fund.

Key statistics of defence budgets – 2022–23 and 2023–24

	2022–23	2022–23	2023–24
	(Budget estimate)	(Revised estimate)	(Budget estimate)
Defence budget (in INR crore)	385,370	409,500	432,720
Growth in defence budget (%)	4.6%* 11%^		5.7%* 12.3%^
Revenue expenditure (in INR crore)	233,001	259,500	270,120
Growth in revenue expenditure (%)	1.5%* 9.9%^		4.1%* 15.9%^
Share of revenue expenditure in defence budget (%)	60.5%	63.4%	62.4%
Capital expenditure (in INR crore)	152,370	150,000	162,600
Growth in capital expenditure (%)	1.5%* 9.9%^		8.4%* 6.7%^
Share of capital expenditure in defence budget (%)	39.5%	36.6%	37.6%

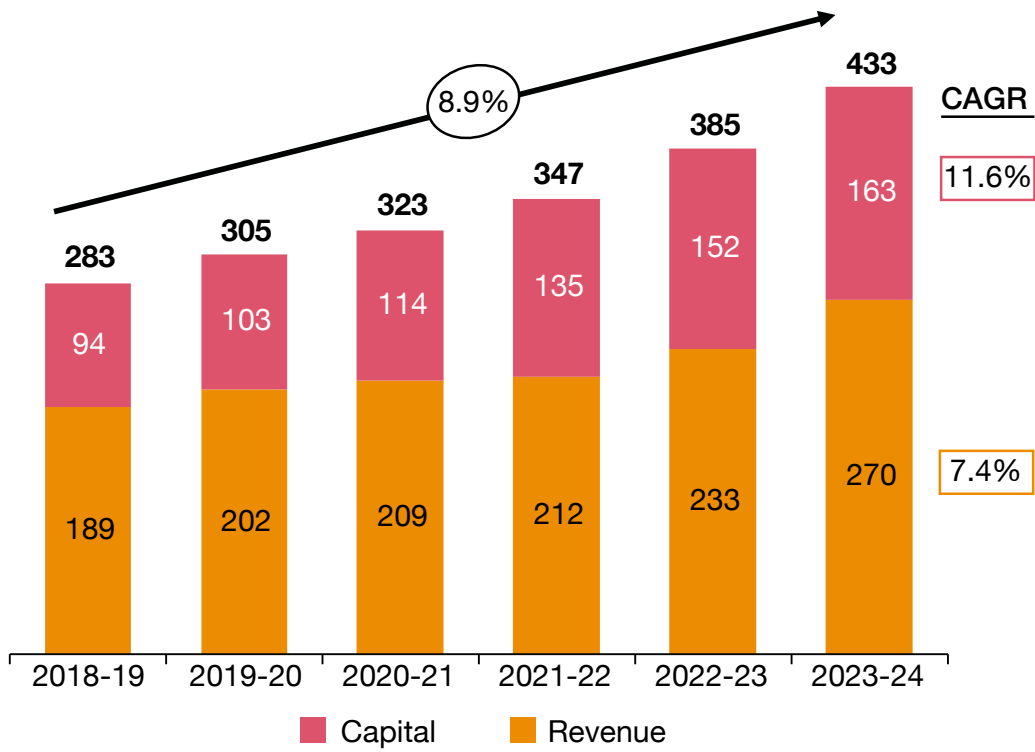
* Growth rate in comparison to revised estimates

^ Growth rate in comparison to budget estimates

Note: For the above analysis, the defence budget numbers do not include the defence pension budget of INR 138,205 crore and the Ministry of Defence (MoD – civil) budget of INR 22,613 crore.

Source: PwC analysis, Union Budget 2023–24

Indian defence budget over the last six years (in thousand crore INR)



Source: PwC analysis, Union Budget 2023-24



Highlights of Union Budget 2023–24 for the defence sector

- The total defence budget allocation for 2023–24 is INR 4,32,720 crore (excluding pension). It has increased by 12.3% as compared to the 2022–23 budget estimates. However, the increase over the revised estimates of 2022–23 is 5.7%. Moreover, in USD terms it's a degrowth of around 6%.
- It amounts to a total budget of INR 5,93,537 crore after including the pension and civil defence budget, which is an increase of 13% over the current year's budget estimate.
- The growth in capital budget estimates is 6.7% and that of revenue budget estimates is 15.9%, whereas the growth in capital and revenue budget allocations over the revised estimates is 8.4% and 4.1% respectively. As per the revised estimates, revenue expenditure will exceed the budgetary allocation by 11.4% because of emergency purchases. However, the capital budget for 2022–23 will remain underutilised by around 1.5%.
- The capital outlay for the Indian Navy is INR 52,805 crore, which is an 11% increase over the last year's budget. A major portion (INR 24,200 crore) of this will be spent to enhance the naval fleet (warships and submarines), and INR 7,000 crore has been allocated for purchase of aircraft and aero engines for the Navy. Looking deeper into the revised estimates, the Army and Navy have exhausted their capital budgetary allocation for 2022–23, while the Air Force has not fully utilised its capital budget.
- The capital outlay for the Air Force for 2023–24 is the highest among the three forces at INR 57,137 crore and 35% of the total capital budget. Of the total capex allocation, INR 15,722 crore would go into buying and upgrading aircraft and aero engines.
- The capital outlay for the Indian Army is at INR 37,242 crore, which is an increase of 16.3% over last year's budget estimates.
- Over the last five years, the defence budget has grown at 8.9% (CAGR) – the revenue budget at 7.4% and capital budget at 11.6%. The defence budget is around 1.6% of the GDP as compared to 1.66% last year.
- Subsequent to skirmishes on the northern border, the Government wishes to strengthen the border infrastructure and has allocated INR 5,000 crore for 2023–24, an increase of 43% over INR 3,500 crore allocated for the ongoing year.
- To further the initiatives under the Agnipath scheme, it has received a budgetary allocation of INR 4,266 crore. In addition, the Agniveer Fund, which was created for the welfare of soldiers joining the forces under the scheme, has received Exempt-Exempt-Exempt (EEE) status.
- To encourage innovation and strengthen industrial infrastructure, the Innovations for Defence Excellence (iDEX) scheme and Defence Testing Infrastructure Scheme (DTIS) have received a budgetary allocation of INR 116 crore (a 93% rise) and INR 45 crore (a 95% rise) respectively, which demonstrates the Government's commitment towards achieving self-reliance in defence.
- With the aim of strengthening indigenous industrial capability, the seven new defence public sector undertakings (DPSUs) have received a capital budget allocation of INR 1,310 crore to support them in building the necessary infrastructure for their growth plans.

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