

Ministry of Defence



## A record over Rs 6.81 lakh crore allocated in Union Budget 2025-26 for MoD, an increase of 9.53% from current Financial Year

Rs 1.80 lakh crore allocated under Capital Budget of Armed Forces; Modernisation a key focus area; Rs 1.12 lakh crore earmarked for procurement from domestic industries

14% increase in allocation for Defence Pension; Rs 8,317 crore allocated for ECHS

12% hike for Defence R&D Budget

Significant jump of 43% in Capital Budget of ICG; Rs 7,146 crore allocated to BRO under Capital Head

Union Budget is a step towards fulfilling the Prime Minister's resolve of *Viksit Bharat* by 2047: Raksha Mantri Shri Rajnath Singh

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In pursuance of Prime Minister Shri Narendra Modi-led Government's vision of '*Viksit Bharat @ 2047*' with technologically-advanced and 'Aatmanirbhar' Armed Forces, Union Budget of India has made a provision of Rs 6,81,210.27 crore for Financial Year (FY) 2025-26 for the Ministry of Defence (MoD). This allocation is 9.53% more than the Budgetary Estimate of FY 2024-25 and stands at 13.45% of Union Budget, which is highest among the Ministries.

Out of this, Rs 1,80,000 crore *i.e.* 26.43% of total allocation will be spent on Capital Outlay on Defence Services. On Revenue Head, allocation for the Armed Forces stands at Rs 3,11,732.30 crore which is 45.76% of total allocation. Defence Pension receives a share of Rs 1,60,795 crore *i.e.* 23.60% and balance Rs 28,682.97 crore *i.e.* 4.21% is for civil organisations under MoD. The Ministry has taken a decision to observe 2025-26 as 'Year of Reforms' which will further strengthen the resolve of the Government for modernisation of Armed Forces and is aimed for simplification in the Defence Procurement Procedure to ensure optimum utilisation of the allocation.

Addressing the media in New Delhi, Raksha Mantri Shri Rajnath Singh congratulated Finance Minister Smt Nirmala Sitharaman for presenting a budget towards fulfilling the Prime Minister's resolve of *Viksit Bharat*. "This budget will promote the development of youth, poor, farmers, women and all other sections of society. Recognising the contribution of the middle class, the budget has brought an unprecedented gift," he said.

### **Capital Outlay**

In the current geopolitical scenario where the world is witnessing a changing paradigm of modern warfare, Indian Armed Forces need to be equipped with state-of-the-art weapons and have to be transformed into a technologically-advanced combat-ready force. Keeping this in view, Rs 1,80,000 crore has been allocated on Capital Outlay of the Defence Forces. This allocation is 4.65% higher than the Budgetary Estimate (BE) of FY 2024-25.

Out of this, Rs 1,48,722.80 crore is planned to be spent on Capital Acquisition, termed as modernisation budget of the Armed Forces and remaining Rs 31,277.20 crore is for capital expenditure on Research & Development and creation of infrastructural assets across the country.

During FY 2020-21, MoD took a decision to strengthen the domestic industries and to make the forces self-reliant. Since then, a substantial share of modernisation budget is being earmarked for the capital procurement from domestic industries. In order to encourage the private sector for manufacturing and technological development in the defence sector, a notable percentage of domestic share is further earmarked for acquisition from domestic private industries. Accordingly, for FY 2025-26, Rs 1,11,544.83 crore *i.e.* 75% of modernisation budget has been earmarked for procurement through domestic sources and 25% of domestic share *i.e.* Rs 27,886.21 crore has been provisioned for procurement through domestic private industries.

This allocation will take care of major acquisitions planned in the ensuing FY and bolster jointness & integration initiatives. This allocation of funds will further facilitate MoD's plan to venture in new domains such as Cyber & Space and emerging technologies such as Artificial Intelligence (AI), Machine Learning and Robotics etc. Some major acquisitions planned in the next year such as Long Endurance Remotely Piloted Aircraft of High and Medium altitude, stage payment of Deck-based Aircraft, next generation submarines/ships/platforms will be funded out of this allocation. The capital investment in defence manufacturing sector has a cascading and multiplier effect in the National Economy which will boost the GDP and provide greater job opportunities to the youth of this country.

### **Operational and sustenance budget of Armed Forces**

Revenue expenditure is to take care of Pay & Allowances of the Armed Forces Personnel and for sustenance & operational preparedness. Accordingly, Rs 3,11,732.30 crore has been allocated for this purpose which is 10.24% higher than budgetary allocation of FY 2024-25. Out of this, Rs 1,14,415.50 crore has been allocated on account of non-salary expenditure which will facilitate procurement of Ration, Fuel, Ordnance Stores and maintenance/repair of equipment etc.

Government has been continuously allocating higher amount for sustenance and operational preparedness of the Armed Forces since mid-year review during FY 2022-23 and accordingly has given significant jump of 24.25 % in the next FY in comparison to the budgetary estimate of current FY. This allocation will address the requirement due to additional deployment of the forces in the border areas, hiring of vessels, increase in expenditure on longer sea deployment of ships and

increase in flying hours for the aircraft. Under the Salary Head of revenue expenditure, Rs 1,97,317.30 crore has been allocated to take care of Pay & Allowances of the three services and any further requirement will be addressed during mid-year review.

### **Enhanced Allocation for DRDO**

The budgetary allocation to Defence Research and Development Organisation (DRDO) has been increased to Rs 26,816.82 crore in FY 2025-26 from Rs 23,855.61 crore in FY 2024-25 which is 12.41% higher than the BE of 2024-25. Out of this, a major share of Rs 14,923.82 crore has been allocated for capital expenditure and to fund the R&D projects. This will financially strengthen the DRDO in developing new technologies with special focus on fundamental research and hand-holding of the private parties through Development-cum-Production Partner. The increased allocation under Capital Head of DRDO will further provide adequate financial resources in funding the projects to be taken up in collaboration with private parties through flagship scheme of DRDO *i.e.* Technology Development Fund and will assist the development of Deep Technology in the defence sector.

### **Encouraging Start-up Ecosystem for Innovation in Defence**

For making the Armed Forces self-reliant in defence technology and encouraging innovation, it is imperative to engage the private players and strengthen the start-up ecosystem in the country for technological development and innovation in the defence sector. For this purpose, Rs 449.62 crore has been allocated to iDEX scheme, including its sub scheme Acing Development of Innovative Technologies with iDEX (ADITI) to be utilised for funding the projects to be taken up under this scheme. Allocation in this head shows a jump of almost three times in two years.

### **Govt's resolve for ex-servicemen welfare**

The Government has maintained the continuously higher allocation for providing best healthcare facilities to the esteemed veterans and their families through dedicated Ex-Servicemen Contributory Health Scheme (ECHS). In the ensuing FY, Rs 8,317 crore has been allocated towards ECHS which is 19.38% higher than BE of FY 2024-25. During the mid-year review in the current FY, additional allocation was made to meet the emergent requirements of medical treatment related expenditure.

There are approximately 34 lakh defence pensioners whose monthly pension is met out of Defence Pension Budget. In order to further enhance the Defence Pension for the Armed Forces, One Rank One Pension (OROP) was implemented *w.e.f.* July 2014. Since then, it is revised after every five years. Third revision under OROP came into effect from July 2024 and it was timely implemented.

Considering elements of expenditure under Defence Pension, Rs. 1.61 lakh crore has been allocated for FY 2025-26, which is 13.87% higher than the allocation made during FY 2024-25. This will take care of inflationary trends and provide comfort to the Ex-Servicemen and their dependents for maintaining a better lifestyle.

### **Capital Budget of Indian Coast Guard**

Indian Coast Guard (ICG) has been allotted Rs 9,676.70 crore under Capital and Revenue Head which is 26.50% more than the allocation for FY 2024-25 at BE stage. This increase is primarily in line with the focus of the Government on capability development of ICG and equipping them with modern equipment. ICG not only strengthens coastal security, but also provides assistance to neighboring countries and commercial ships during emergency through faster response.

A jump of 43% in Capital Budget *i.e.* from Rs 3,500 crore for FY 2024-25 to Rs 5,000 crore for FY 2025-26 will provide adequate financial space for acquisition of Advanced Light Helicopters (ALH), Dornier Aircraft, Fast Patrol Vessels (FPVs), Training Ships, Interceptor Boats etc. On revenue head, the allocation has been increased from Rs 4,151.8 crore for FY 2024-25 to Rs 4,676.70 crore for FY 2025-26 which shows an increase of 12.64%. The increase will be utilised to fund the expenditure to be incurred on additional deployments of manpower and resources in addition to addressing the inflation.

### **Strengthening border infrastructure**

In order to further improve the border Infrastructure and facilitate the movement of Armed Forces personnel through tough terrains, Rs 7,146.50 crore has been allocated to Border Roads Organisation (BRO) under capital head which is 9.74% higher than the BE of 2024-25. The financial provision made for the FY 2025-26 for BRO will not only promote the strategic interest of the nation in border areas by constructing tunnels, bridges and roads such as LGG-Damteng-Yangtse in Arunachal Pradesh, Asha-Cheema-Anita in J&K and Birdhwal-Puggal-Bajju in Rajasthan, but will also boost socio-economic development, provide employment opportunities and encourage tourism. BRO has created substantial employment opportunities by employing 70,000 local youths and has contributed to the local economies fostering long-term employability and skill development.

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**VK/SR/Savvy**

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