

# Defence allocation for FY25 less than 2% of GDP

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The Defence Budget of India has seen a consistent and notable increase over the past few financial years. However, the allocation for FY25 is just about 1.9 per cent of the GDP. This is at a time when most advanced economies spend 2 to 5 per cent of their GDPs on military, according to the International Monetary Fund.

## DATA FOCUS.

This year, India allocated ₹6.21-lakh crore to the Ministry of Defence. This is 13 per cent of the total Budget expenditure. The revised estimates for FY24 show that the expenditure in the ongoing fiscal is ₹6.23-lakh crore. This was 13.2 per cent of the FY24 Budget and 2.08 per cent of the GDP.

### TREND

"The government's decision to maintain the Budget below 2 per cent of GDP may reflect a balance between defence requirements and broader economic considerations. The need for a balanced approach to overall fiscal management is required for the years ahead," said Subbu Venkatachalam, Head of Marketing, Carborundum Universal Ltd, a company that provides ballistic solutions to the armed forces.

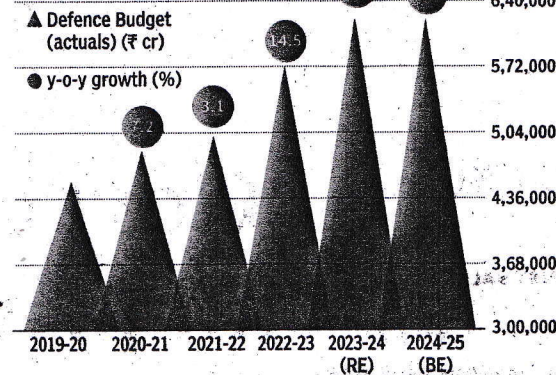
From FY20 to FY25, there has been a steady upward trend in the Budget estimate for defence, with considerable allocation towards the Indian Army.

The actual defence expenditure for the fiscal year 2019-20 stood at ₹4,52,996 crore, which increased to ₹6,21,540.85 crore in the projected Budget of 2024-25, representing a substan-

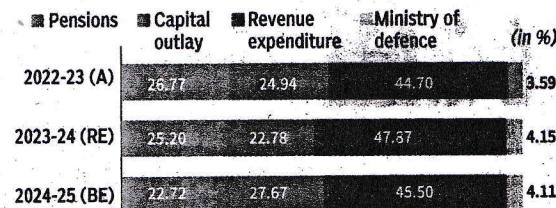
## Does defence Budget fall short?

**1.9%** Allocation to the Ministry of Defence in FY25 of GDP  
\*The global norm is 2-5 per cent

### Growth in allocation flat in FY25



### A considerable portion of the Budget goes to pensions



### India fourth largest military spender

Top military spenders (2022)  
Expenditure (\$ billion)



Source: Budget documents, World Bank, Stockholm International Peace Research Institute

tial growth trajectory. As of 2022, India's defence expenditure stood at \$81.4 billion, trailing behind the United States, China, and Russia.

### PENSION SPEND

A considerable portion of the Budget, totalling ₹1,53,407 crore in FY23 (actual), ₹1,42,095 crore in FY24 (revised estimate), ₹1,41,205 crore in FY25 (Budget estimate) have gone to pensions. Pensions

represent a critical aspect of the defence Budget, ensuring the well-being and financial security of retired military personnel and their families. "The allocation of a substantial portion of the defence Budget to pensions highlights the financial commitments to retired personnel, which is essential," said Venkatachalam.

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