

India's defence budget push signals preference for hard deterrence

Hindol Sengupta • February 1, 2026

The hike in defence outlay is a recognition that India faces significant challenges to its fundamental sovereignty, and this needs hard power, not mere moral posturing



By elevating defence spending to approximately 1.997 per cent of the projected Gross Domestic Product, the government has reversed a decade-long trend of declining defence-to-GDP ratios. Representational image: Reuters

The poet Ramdhari Singh Dinkar wrote,

“क्षमा शोभती उस भुजंग को, जिसके पास गरल हो।

उसको क्या जो दन्तहीन, विषरहित, विनीत, सरल हो।।”

It is only the strong who can truly be forgiving; the forgiveness of the weak is meaningless.

This is a lesson that India has learnt in fits and starts through its nearly eight-decade independent history. This is a lesson that echoes through the significant increase in defence expenditure proposed by the budget this year.

India's Union Budget 2026 significantly boosts defence outlay to ₹7.85 lakh crore, a 15 per cent increase from ₹6.81 lakh crore last year, addressing urgent security imperatives post-Operation Sindoor. This hike, with ₹2.19 lakh crore for capital modernisation (up 22 per cent), fortifies deterrence amid two-front threats from China and Pakistan. It signals strategic resolve, enhancing self-reliance and operational readiness. The trajectory has been striking: from ₹2.94 lakh crore in 2015-16, the nominal outlay has tripled. This reversal of the declining defence-to-GDP trend is crucial for deterrence.

By elevating defence spending to approximately 1.997 per cent of the projected Gross Domestic Product, the government has reversed a decade-long trend of declining defence-to-GDP ratios, signalling to both domestic industry and global adversaries that India's military preparedness is no longer subject to fiscal austerity.

I would argue that this is just the beginning, and a country like India, with the threats it faces from all sides, needs to spend around 3-4 per cent of GDP on defence, and even this surge in a sense responds to escalating threats, including Operation Sindoor in May 2025, where India struck nine terrorist camps in Pakistan and Pakistan-occupied Kashmir (PoK) using BrahMos missiles, killing over 100 militants without targeting military sites. This operation exposed munitions depletion and proxy risks from Pakistan's JeM and LeT (Lashkar-e-Taiba), amid China-Pakistan military ties like arms supply during the strikes. Persistent LAC tensions with China, despite 2024 disengagements, involve rapid infrastructure buildup – bases, roads, surveillance – fuelling mutual distrust and two-front war risks. Border insecurity from Bangladesh instability adds eastern vulnerabilities, making the 15.3 per cent outlay hike essential for credible deterrence.

Defence spending drives growth via indigenisation under Atmanirbhar Bharat, with domestic production at ₹1.51 lakh crore and exports up 12 per cent toward ₹50,000 crore by 2029. Capital outlay at 28 per cent of budget (₹2.2 lakh crore) funds local firms like HAL and L&T, creating jobs and multipliers, reducing import dependence while boosting MSMEs and startups in drones and AI.

More than ₹1.8 lakh crore in capital targets high-altitude warfare gear, K9 Vajra artillery (₹76,000 crore deal), UAV platoons, and uncrewed ground vehicles for LAC/PoK. Post-Sindoor, emergency ₹50,000 crore munitions procurement addresses depletion; integrated theatre commands need missile systems and electronic warfare.

The ₹63,733 crore for aircraft/aero-engine funds the Tejas Mk2, multi-role fighters to counter China's J-20s, drones, and AWACS for surveillance. Air defence networks (S-400 complements) are vital against Pakistan's retaliatory strikes post-Sindoor.

The ₹25,023 crore naval fleet strengthens Indo-Pacific deterrence: Project 75(I) submarines, nuclear-powered SSNs like INS Aridhaman (Arihant-class), P-8I, and anti-sub helos are the highest rupee-value deterrence. 19 warships in 2026 counter China's string of pearls; subsurface focus regains edge.

The budget prioritises domestic capital (₹1.1 lakh crore FY26), embargo lists, and FDI hikes yielding platforms like INS Vikrant and BrahMos exports. Private sector surge – ₹3 lakh crore production goal – cuts imports, scales AI, and autonomous systems amid FY26's more than 50 per cent modernisation utilisation.

This outlay restores Balakot deterrence eroded pre-Sindoor, challenges Pakistan's nuclear bluff, and prevents Galwan-like clashes via infrastructure parity. Welfare (₹1.71 lakh pensions) sustains morale; exports hit the ₹35,000 crore target, positioning India as an exporter. Amid a \$543bn 2026-30 spending projection, it ensures a qualitative edge over Pakistan and parity with China by 2030.

The allocation, post-fiscal prudence, averts underfunding risks – FY25 GDP share dipped to 1.9 per cent – ensuring rapid procurement and theatre integration. Key spends: 45 per cent domestic procurement utilised; focus on drones (FPV UAVs), BrahMos upgrades, and nuclear triad completion. Ultimately, it transforms vulnerabilities into strengths, securing India's rise amid geopolitical flux.

Despite the record allocation, India's defence spending must be viewed against the backdrop of its primary strategic competitor. China's official defence budget for 2025 reached nearly \$247 billion, but actual expenditure is estimated to be 40-50 per cent higher, potentially reaching \$471 billion.

India's \$85.6 billion (₹7.85 lakh crore) outlay is approximately one-third of China's official figure and second only to the United States globally. While China is rapidly advancing in space warfare, cyber warfare, and nuclear parity, India is still grappling with modernisation challenges, with nearly 50 per cent of its budget consumed by salaries and pensions. Experts argue that to effectively address operational voids and maintain credible dissuasive deterrence against both China and Pakistan, India should ideally increase its defence spending to at least 2.5-3 per cent of GDP.

Therefore, this increase should be seen as another step in the journey towards spending up to four per cent of GDP on defence. Without this very physical transition towards becoming a hard state, it would be difficult to keep India safe in an increasingly volatile world.

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