

Ministry of Defence Union Budget 2026-27

In the Union Budget post Operation Sindoor, Defence Services have received an unprecedented allocation amounting to Rs 7.85 lakh crore for the Financial Year (FY) 2026-27. This allocation stands at 2% of the estimated GDP for the next Financial Year and shows a significant increase of 15.19% over the Budgetary Estimates (BE) of FY 2025-26. Total Defence budget is 14.67% of the Central Government expenditure and is the highest among the Ministries.



In addition to the modernisation of the Armed Forces and financing their regular requirement, the significantly enhanced allocation will also cater for the financial requirements that have arisen due to the emergency procurement of arms and ammunition made subsequent to Operation Sindoor under both the categories viz. Capital and Revenue. A large share of the defence budget to the tune of Rs 2.19 lakh crore has been allotted for capital expenditure vis-à-vis Rs 1.80 lakh crore which was allotted as BE of FY 2025-26. Through this enhanced provision, the Government has reaffirmed its resolve to transform the Armed Forces and their capabilities to the world's highest standards with a strategic shift towards the goal of Aatmanirbhar Bharat.

Out of the total allocation made to the Ministry of Defence (MoD), a share of 27.95% is for capital expenditure, 20.17% for revenue expenditure on sustenance and operational preparedness, 26.40% for revenue expenditure on pay and allowances, 21.84% for Defence Pensions and 3.64% for civil organisations.

For FY 2026-27, budgetary allocation under capital head to the Defence Forces stands at Rs 2,19,306.47 lakh crore, which is 21.84% more than the Budget Estimates of FY 2025-26. Out of this, Rs 1.85 lakh crore is earmarked for Capital Acquisition, which is approximately 24% higher than the Capital Acquisition budget for FY 2025-26. In the current geo-political scenario, quantum jump in the modernisation budget is a strategic imperative. During FY 2025-26, up to 3rd quarter i.e., till December 2025, MoD has concluded contracts worth Rs 2.10 lakh crore and has, so far, given Acceptance of Necessity approval for more than Rs 3.50 lakh crore. The upcoming projects under capital acquisition will equip the Armed Forces with next generation fighter aircraft, smart and lethal weapons, ships/submarines, unmanned aerial vehicles, drones, specialist vehicles, etc.

Interruption in global supply chains and prioritisation of domestic requirements over foreign sellers has re-emphasised the need for import substitution and going for indigenisation not only for sustenance but for future

