

Defence in Union Budget 2026–27

Modernisation, Aatmanirbhar Bharat and Veterans' Welfare

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Key Takeaways

- ₹7.85 lakh crore allocated to the Ministry of Defence in Union Budget 2026-27, the highest among all Ministries.
- The allocation marks a 15.19% increase over the FY 2025-26 Budget Estimates (BE) and accounts for 14.67% of total Central Government expenditure
- ₹1.39 lakh crore earmarked for procurement from domestic defence industries.
- ₹12,100 crore allotted to the Ex-Servicemen Contributory Health Scheme in FY 2026-27, 45.49% higher than FY 2025–26 at BE stage.
- Allocation to DRDO increased to ₹29,100.25 crore in FY 2026-27 from ₹26,816.82 crore in FY 2025–26.

Introduction



The Union Budget 2026-27, announced by the central government on February 01, 2026, places national security at the core of India's modernisation, self-reliance and innovation priorities. The Ministry of Defence has received the highest-ever allocation of ₹7.85 lakh crore, an increase of 15.19% over Budgetary Estimates (BE) of FY 2025–26, accounting for 14.67% of the Union Budget which is highest among the Ministries. India's defence budget **rose from ₹2.53 lakh crore in 2013–14 to ₹7.85 lakh crore in 2026-27, an increase of approximately ₹5.32 lakh crore, marking about a three-fold rise.**

Out of the total allocation made to the Ministry of Defence, 27.95% of the Defence Budget allocation 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.

Modernisation Push

A major highlight of the budget related to the defence sector is at modernising all the three services and enhancing future capabilities. The emphasis is on acquiring advanced platforms, cutting-edge technologies and force multipliers.

- For FY 2026–27, the budgetary allocation under capital head to the Defence Forces is over **₹2.19 lakh Crore**, which is 21.84% more than Budget Estimates of FY 2025-26.
- Out of ₹2.19 lakh crore, ₹1.85 lakh crore has been earmarked for capital acquisition, representing an increase of approximately 24% over FY 2025–26
- The forthcoming Capital Acquisition projects will equip the Armed Forces with next-generation fighter aircraft, advanced weapons, ships and submarines, Unmanned Aerial Vehicles, Drones etc.
- The capital allocation to the Border Roads Organisation (BRO) has been increased to ₹7,394 crore for FY 2026-27.
- The enhanced allocation to the BRO will help in modernising strategic projects like tunnels, bridges, airfields etc.
- Allocation of ₹975 Crore for Optical Fibre Cable based network for Defence Services.

Boosting Indigenous Defence Manufacturing

The Budget gives a strong thrust to *Aatmanirbhar Bharat* (Self-reliant India) by promoting indigenous manufacturing and reducing import dependence. Domestic defence industries, including private sector players, are key beneficiaries.

- ₹1.39 lakh crore allocated for procurement from domestic defence industries.
- Around 75% of the Capital Acquisition budget is reserved for domestic defence industries in FY 2026-27
- Basic custom duty on raw materials imported for manufacture of parts of aircraft to be used in maintenance, repair, or overhaul requirements by Units in the Defence sector to be exempted.
- Measures support domestic production, investment and job creation.

Research, Development and Innovation

The budgetary allocation to Defence Research and Development Organisation (DRDO) has been increased to ₹29,100.25 crore in FY 2026-27 from ₹26,816.82 crore in FY 2025-26. Out of this allocation, a major share of Rs. 17,250.25 crore is allocated for capital expenditure.

Along with this, the central government has implemented a range of measures to promote R&D in defence manufacturing. As of 1st December 2025, some key initiatives included:

- About 25% of the Defence R&D budget has been opened to industry, start-ups and academia based on Budget 2022-23 announcements.
- 15 DRDO–Industry–Academia Centres of Excellence have been established, covering 82 identified research verticals.
- DRDO has built a network of around 2,000 industries to manufacture equipment, with technologies transferred at zero Transfer of Technology fee to Indian partners to empower innovation.
- During 2022–23 to 2024–25, a cumulative Actual of ₹68,210.22 crore was incurred on Defence R&D, with an additional ₹26,816.82 crore provided under Budget Estimates for FY 2025–26.

- 148 new R&D projects have been sanctioned by DRDO during 2022–23 to 2024–25.

Enhanced Healthcare and Pension Support for Veterans

The Union Budget 2026–27 strengthens the central government’s commitment to veterans’ welfare through higher allocations for healthcare and pensions, ensuring quality medical services and timely financial support for ex-servicemen and their families.



- ₹12,100 crore allotted to the Ex-Servicemen Contributory Health Scheme (ECHS) in FY 2026–27, which is **45.49% higher than Budget Estimates of FY 2025-26**
- ECHS supports Medical Treatment Related Expenditure (MTRE) for ex-servicemen and their dependents.
- Allocation to ECHS has increased by over 300% in the last five years compared to FY 2021–22 at BE stage.
- Total allocation for Defence Pensions stands at over ₹1.71 lakh Crore, marking a 6.56% increase over the FY 2025-26 budget estimates
- The amount supports monthly pension disbursement to more than 34 lakh pensioners, disbursed through SPARSH and other authorised pension disbursing authorities.

Conclusion

The Union Budget 2026–27, the first Union Budget after the historic success of **Operation Sindoor**, reflects the Government’s sustained focus on strengthening national security through modernisation, self-reliance and innovation. With a strong push for indigenous defence manufacturing, focused investments in research and infrastructure, and continued priority for the welfare of veterans, the Budget for Defence Sector promises more secure and resilient India, aligned with the long-term vision of Viksit Bharat@2047.

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