

UNIT - I INTRODUCTION

1. Definition of Economics.
2. Types of economics system, their merits and demerits.
3. Defence as Development

UNIT - II DEFENCE BUDGET

1. Concept of finance revenue, expenditure.
2. Budgetary process, national income and gross national product.
3. Analysis of India's budget.

UNIT-II

DEFENCE BUDGET

FINANCE:

Finance is a broad term that describes activities associated with banking, leverage, debt, credit, capital, money, markets and investment.

REVENUE:

Revenue is the income generated from normal business operations and includes discounts and deductions for returned merchandise.

INTEREST:

Interest is a payment from a borrower or deposit-taking financial institution to a lender or depositor of an amount above repayment of the principal sum.

EXPENDITURE:

An Expenditure represents a payment with either cash or credit to purchase goods or services.

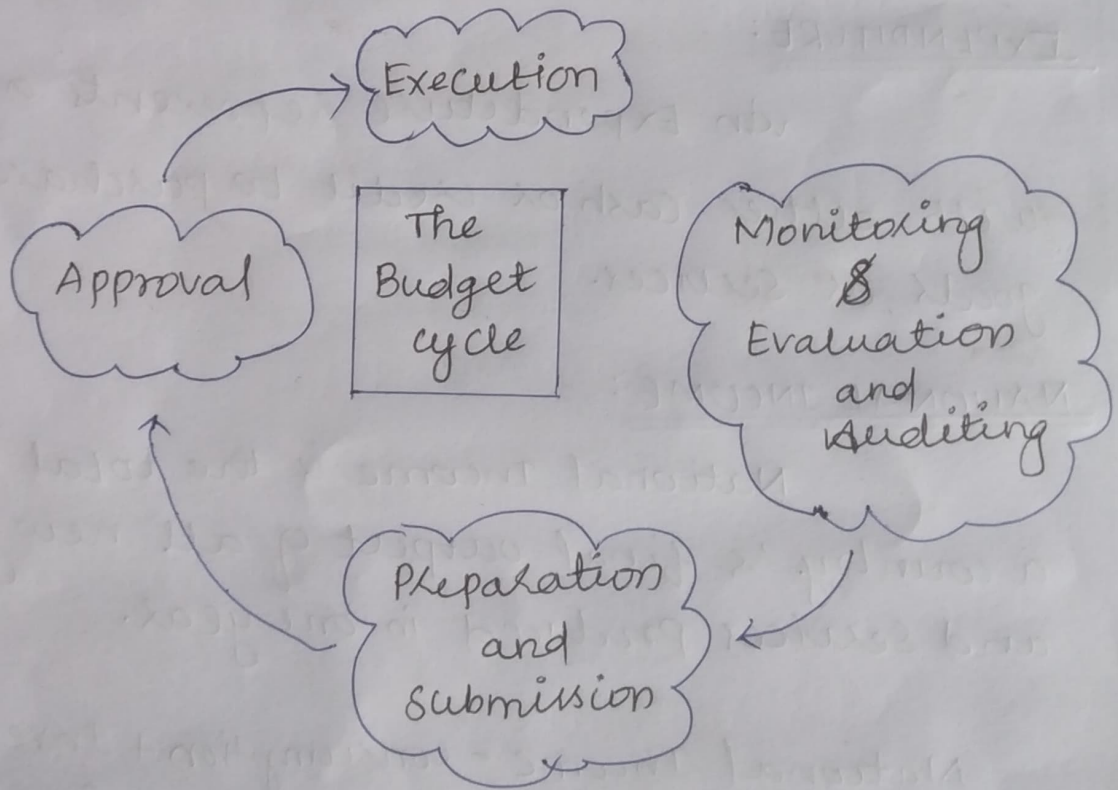
NATIONAL INCOME:

National Income is the total value a country's final output of all new goods and services produced in one year.

$$\text{National Income} = \text{consumption} + \text{Investment} + \text{government Spending} + (\text{Exports} - \text{Imports}).$$

BUDGETARY PROCESS:

Budget estimates are prepared by the Union Ministry of Finance. They prepare for the whole state. Based on the estimated income and expenditure of various ministries and departments are sent to the Ministry of Finance. Then they prepares the full budget. The Budget was presented by the Finance minister to the cabinet for approval. Then Budget is ready for presentation to the parliament.



ANALYSIS OF INDIA'S DEFENCE BUDGET:

The Military Budget or Defence budget of India is the portion of the overall budget of union budget of India that is allocated for the funding of the Indian Armed Forces.

The Military Budget finances employee salaries and training costs, maintenance of equipment and facilities support of new or ongoing operations, and development and procurement of new weapons, equipment and vehicles.

There is nearly 62 Billion allocated for the period of 2019-2020 fiscal year, which is 10% increase than the previous year.

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Military Budget of India:

The Military Budget of India is about 1.49% for year 2018-19 of the total GDP of the country. However, it spends nearly an equal amount in importing arms from other countries.

Its defence expenditure for the 2017-18 fiscal year, based on allotments by the Ministry of finance was 86,488 crores for Defence capital and 2,96,000 crores for defence pensions.

Service / department-wise allocations as a percentage of total defence estimates in 2017-18:

- | | |
|---------------------|---------------|
| * Army - 55.9% | * DRDO - 5.7% |
| * Air force - 22.5% | * DGDF - 0.8% |
| * Navy - 14.6% | * DGQA - 0.5% |

The Indian Army accounts for more than half of the total expenditure going to the maintenance of cantonments, salaries, pensions, instead of critical arms and ammunition. As of 2019, there is 25% shortfall in the military's budget demand versus the actual budget allocation by the government. There are suggestions to use the military's land bank to generate more funds to bridge this gap for the modernisation of military with the latest equipment. From November 2019, government exempted the imported defence equipment from the customs and import duties for a period of five years during which domestic production is unlikely to meet the technical demand of the forces.

Indigenisation is one of the important factors for promoting the development of manufacturing weapon systems and to export to foreign countries. "Make in India" is the process to promote the indigenous weapons manufacturing. So many projects and progress are made in the military budget in recent economic times.