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DEFENSE SYSTEM, ECONOMIC PLANNING AND DEVELOPMENT IN INDIA

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Key Words: India, Finance, Defence, Planning Commission, DRDO, MOD, Production, Development, System, Policy Etc.

Introduction:

In any economy, resources are limited and needs are unlimited. That's why how to allocate resources in a proper and balanced way is a basic economic question. Broadly speaking, the basic conflict between the primary resources of the economy and whether to use them for defense or for development is seen in all economies. The relationship between defense spending and development spending in least developed countries seems to be acknowledged as conflictual. That is why the discussion of 'Guns v/s Butter' (guns/weapons vs. bread/butter) seems to have appeared in many economics writings till the 1950s. Even in India, protectionism and developments were argued in conflict until the 1960s. After the war with China, a change in these views is noticeable.

Initiation of protection scheme:

Economic planning in India started in 1950-51. Defense planning also began during this period; but till 1962, only military industries were being worked on. After India's defeat in the China War of 1962, serious consideration of defense planning began in earnest. Between 1969 and 1974, the first defense plan was drawn up and defense planning started along with economic planning. For this, the Department of Defense Planning was created separately in the Ministry of Defence; but it was of little use. A Summit Group on Defense was established in 1974 and was transformed into the Defense Planning Committee in 1977. Also, 'roll-on' defense scheme was started. But there were some errors in this too. Therefore, in 1986, a committee of the heads of the three forces, the Department of Defense Production, the Ministry of Finance, the Ministry of External Affairs and the Ministry of Defense (DGDPS) was formed. Since then defense planning along with financial planning is done through the Integrated Defense Staff as per the instructions of the Council of Ministers.

On 18 April 2018, there was a radical change in the defense planning. Accordingly, now the Defense Planning Committee under the chairmanship of the National Security Adviser will carry out defense planning and thus end the seasonality of defense planning and help in long-term defense planning.

Defense Budget and Procedures:

The main objectives of the defense budget are to ensure the following:

1. Public defense funds are earmarked for set priorities.
2. Expenditure is incurred and audited in prescribed manner.
3. It helps to understand the policy and expenditure budget of the country considering the internal defense threats faced by the country, neighboring countries and other international defense threats etc.

The current process of defense budgeting is a top-down process. It starts with the budget circular being issued by the budget department. The Ministry of Finance lays down the guidelines in the Budget Circular. From that, the budget estimate is prepared to prepare the next year's budget. The Revenue Estimates as well as Revised Estimates for the current year are circulated by the Ministry of Defense to all three armed forces and DRDO (Defense Research and Development Organization), Department of Defense Production. Accordingly they give their estimated demands. It is coordinated by MOD (Finance). The Ministry of Finance then prepares the defense budget after careful consideration and makes the defense provision.

Protection Provisions and Approvals:

The defense budget is discussed in the budget session and the provisions of the budget are

development strategy. Efforts to achieve economic security by rational use of foreign politics in national security policy are becoming complementary to it. In the era of globalization, there is a special need for these things. India's defense spending has generally remained between 1.5 and 2.5 percent of gross domestic product (GDP).

The Narendra Modi government has tried to link development in the national security policy through 'Make in India', private-government industry collaboration, private sector entry into the defense industry, arms exports, foreign investment etc. The 'Make in India' system is mainly designed to reduce the percentage of defense expenditure as a percentage of domestic national income and increase productivity. Dr. Vijay Kelkar Committee (2004) has suggested ease and transparency in the process of editing defense literature. A 'Technology Exchange Facilitation Policy' has been adopted to modernize the defense industry. Defense Offset Facilitating Agency will provide special assistance for easy products of defense sector.

Through such various measures, the complementary relationship between defense and development in India is growing. A nation's economic strength seems to be the most important dimension of national security in the era of globalization.

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reduced or increased taking into account its suggestions. Once approved by a majority in Parliament, it becomes the final defense budget and is spent accordingly. Public Accounts Committee and Defense Committee Reports, Defense Expenditure Audit Report to Parliament, Defense Service Estimates are given in giving the Revised Estimates of the previous year. Due to many flaws in the budgeting system, the process of changing it was started from 2018 through DPC.

Defense budgeting is the process of allocating financial resources to the defense sector. The defense budget is the financial resources for the equipment of the three forces of the Ministry of Defence, personnel pay and pensions, infrastructure and programs, its end products, defense research etc. It includes all sources and material estimates in the budget. Protection provision is made under two heads. Capital Expenditure and Revenue Expenditure. Capital provision is made for new purchase of modern weapons, aircrafts, warships, tanks, guns and other war material, as well as for modernization of existing weapons. Whereas the revenue provision is made for the maintenance of human resources and day-to-day running of the army. In general, the breakdown of provision should be 60 percent capital and 40 percent revenue expenditure. Capital expenditure is investment expenditure, while revenue expenditure is day-to-day expenditure. Capital expenditure helps to increase military strength, while revenue expenditure carries out the regular administration of the military. Both costs are complementary to defense power.

The defense budget is generally about 16 to 17 percent of the total central budget expenditure, while about 2.5 to 3 percent of the gross domestic income is allocated to defense expenditure. This ratio is very less compared to other countries.

Defense Production Policy:

Defense material production in India since 1947 was done only in the public sector. It has been modified since 2006 and is currently open to private sector and foreign investment to some extent. In 2006, 26 foreign investments were allowed in the defense sector. By 2018 this number has been increased to 74. The aim is to make the defense sector competitive, technologically competent and self-reliant. Therefore, it is expected that the defense industry will become sophisticated and contribute greatly to the economic development. India can play an important role as an exporter in the global defense market.

Complementary Correlation: Defense and Development are two sides of the 'National Security' coin. That is why many economists have suggested the need to think about these two factors in a complementary way. Defense scholar in India K. Subramanian was the first to frame the subject in a similar way and expressed the need for a complementary relationship between these two elements. The distinction made by earlier scholars between these two important elements of national security has highlighted the division of thought on national security policy. In the complexities of geopolitics, there have been many examples of weak countries facing external aggression during the Cold War, and hence the challenging dilemma of 'development versus protection?' has always faced developing countries. Hence, striking a balance between the two is a difficult task for underdeveloped and developing countries.

Current Status and Improvements: Till 1970s, defense experts-academics dominated India's national security policy and hence the role of development economists was neglected. Overall Indian security policies lacked a development strategy and concept. A somewhat similar situation was observed in the less developed countries of the world. It is slowly changing.

India has adopted planning in the process of economic development. But defense finances are an unplanned expenditure in India. Similarly, the Five Year Plan of Defense is not under the purview of the Planning Commission. That is why it is not even discussed in the National Development Council. There is also no consistency in the duration of the Defense Five Year Plan and the Economic Five Year Plan. Efforts have been made in India in the 1980s, 1990s and 2010s to move slowly from such a differential system to an inclusive system. The then governments have contributed to it. At present, India's long-term internal and external national security requires rapid economic growth and balanced social development. This awareness is reflected in the National Security Policy. In India, Dr. The Manmohan Singh government tried to strike this balance through its comprehensive economic

