

## Defence, Logistics, and Strategic Infrastructure



National security and economic strength are closely linked in the Union Budget 2026–27. The Budget makes it clear that defence expenditure is no longer viewed purely as a revenue expense, but increasingly as a strategic investment in infrastructure, technology, and long-term capability. In an environment shaped by geopolitical tensions, supply chain disruptions, and rapid technological change, the Government places renewed emphasis on strengthening defence preparedness while also building domestic capacity.

The Budget reflects a shift from short-term provisioning towards long-term capability creation. Defence, logistics, and strategic infrastructure are presented as interdependent pillars that support not only national security, but also industrial development, employment, and technological advancement. This integrated approach is evident in the way capital expenditure, procurement planning, and infrastructure development are discussed across the Budget documents.

### Rising Importance of Defence Capital Expenditure

A key signal in the Budget is the increasing emphasis on defence capital expenditure. The source document highlights that defence is one of the major components of Union capital expenditure, alongside railways and roads. The Union has projected defence capital expenditure to grow at an annual rate of around 30 percent over the award period, underlining the priority accorded to modernisation and capability enhancement.

The document notes that total defence expenditure is expected to rise from around 1.4 percent of GDP in the base year to about 1.9 percent of GDP by the final year of the award period, provided capital expenditure growth is sustained. This shift reflects the Government's assessment that achieving multi-domain operational capability requires sustained investment in platforms, infrastructure, and technology, rather than incremental upgrades.

Capital expenditure on defence is positioned as essential for long-term preparedness. Unlike revenue spending, which covers salaries and routine operations, capital spending builds assets that enhance readiness, mobility, and deterrence.

The Budget explicitly recognises the need for structural reforms in long-term planning and procurement to support this increased investment.

### Defence Infrastructure as a Strategic Asset

The Budget places defence infrastructure within the broader framework of national infrastructure development. Strategic roads, logistics hubs, communication networks, and border infrastructure are seen as critical enablers of defence capability. The source document includes allocations for defence-related infrastructure such as optical fibre cable-based networks for defence services, highlighting the importance of secure and reliable communication systems.

The Border Roads Development framework also receives attention through allocations to improve connectivity in strategically important regions. Investments in border-area infrastructure serve a dual purpose: they strengthen defence logistics and also support regional development by improving access to remote and sensitive areas.

By integrating defence infrastructure with national infrastructure planning, the Budget signals that security and development objectives are increasingly aligned. Improved roads, railways, and digital networks enhance both civilian economic activity and military mobility.

### Logistics, Mobility, and Operational Readiness

Logistics emerges as a central theme linking defence preparedness with economic efficiency. The Budget recognises that modern defence capability depends not only on weapons platforms, but also on the ability to move personnel, equipment, and supplies quickly and reliably.

Investments in railways, roads, ports, and multimodal logistics corridors therefore have direct relevance for defence readiness. Efficient freight corridors and improved port infrastructure support faster deployment and sustainment of forces, while also reducing costs across the broader economy.

The emphasis on logistics efficiency mirrors similar priorities in manufacturing and trade. By strengthening national logistics infrastructure, the Government aims to create systems that serve both civilian and defence needs, improving resilience in times of crisis.



## Defence Spending Within Fiscal Discipline

Despite the rising emphasis on defence and strategic infrastructure, the Budget places these priorities within a framework of fiscal responsibility. Defence expenditure growth is linked to long-term planning rather than ad hoc increases. The document underscores that sustained increases in defence capital expenditure will require disciplined procurement processes and structural reforms.

This approach reflects a balance between security imperatives and fiscal sustainability. By focusing on capital investment and long-term capability creation, the Government aims to maximise the impact of defence spending while avoiding unsustainable revenue burdens.

## Domestic Defence Manufacturing and Industrial Capacity

An important shift reflected in the Budget is the growing emphasis on domestic defence manufacturing. Defence is no longer treated solely as a procurement-driven sector, but as a key component of India's industrial and technological base. The Budget aligns defence spending with the broader manufacturing push, reinforcing the objective of reducing import dependence while strengthening domestic capability.

The source document highlights that increased defence capital expenditure must be supported by long-term planning and procurement reforms. This implicitly recognises that sustained investment creates opportunities for domestic manufacturers of platforms, components, and sub-systems. Defence manufacturing is therefore linked with capital goods, electronics, precision engineering, and advanced materials—sectors that also contribute to civilian industrial growth.

By focusing on capital investment rather than short-term acquisitions, the Budget signals support for building production ecosystems rather than one-off purchases. This approach encourages industry participation, long-term contracts, and technology absorption within the domestic economy.



## Role of MSMEs and Private Sector in Defence Supply Chains

The Budget's defence strategy also creates significant opportunities for MSMEs and private enterprises. Defence supply chains rely heavily on a wide base of suppliers providing components, electronics, mechanical parts, software, and logistics services. Strengthening domestic defence production therefore naturally integrates MSMEs into high-value industrial networks.

The broader MSME support measures outlined in the Budget—credit access, equity support, compliance facilitation, and technology adoption—are directly relevant to defence manufacturing. MSMEs with specialised capabilities can participate in defence supply chains, benefiting from stable demand and higher quality standards.

This integration has wider economic implications. Defence-linked MSMEs often upgrade their technology, quality systems, and processes, which improves competitiveness across civilian markets as well. In this sense, defence spending acts as a catalyst for broader industrial capability development.



## Technology, R&D, and Secure Communications Infrastructure

Technology and research play a central role in the Budget's defence and strategic infrastructure narrative. The source document includes provisions for optical fibre cable-based networks for defence services, underscoring the importance of secure, high-capacity communication systems in modern military operations.

Reliable digital infrastructure is critical for command, control, intelligence, and coordination across domains. Investments in defence communications also align with the broader national push for digital infrastructure, cybersecurity, and data resilience. These systems support not only defence operations but also emergency response and disaster management capabilities.

The Budget's emphasis on research and development across energy, telecommunications, and advanced technologies complements defence objectives. Dual-use technologies—those with both civilian and military applications—benefit from integrated R&D efforts, improving returns on public investment.



## Strategic Infrastructure Beyond Defence

Strategic infrastructure in the Budget extends beyond defence-specific assets. Energy security, telecom networks, and transport corridors are treated as critical national infrastructure with strategic importance. Allocations for telecom infrastructure, broadband expansion, and optical fibre networks enhance connectivity in remote and border areas, strengthening both civilian access and national security.

Transport infrastructure—particularly roads, railways, and ports—plays a dual role. In addition to supporting trade and economic activity, these assets improve strategic mobility and logistics readiness. The Budget's integrated approach recognises that resilient infrastructure systems are essential during both peacetime and crises.

By embedding strategic considerations into civilian infrastructure planning, the Budget reduces duplication and maximises the utility of public investment.

## Governance, Procurement, and Long-Term Planning Challenges

While the Budget outlines ambitious plans for defence and strategic infrastructure, it also acknowledges execution challenges. The source document notes that sustained increases in defence capital expenditure will require serious structural reforms in planning and procurement.

Effective governance is essential to ensure that higher allocations translate into real capability gains. Long procurement cycles, cost overruns, and coordination gaps can dilute the impact of increased spending. The Budget's emphasis on reform continuity suggests that institutional improvements are seen as necessary complements to financial investment.

Transparency, accountability, and long-term planning are therefore critical to the success of the defence and strategic infrastructure agenda. These factors determine whether capital expenditure results in timely delivery and operational readiness.

## Conclusion: Defence and Infrastructure as Pillars of National Resilience

The Union Budget 2026–27 positions defence, logistics, and strategic infrastructure as central pillars of national resilience. By increasing defence capital expenditure, strengthening infrastructure, and integrating industrial and technological development, the Budget adopts a long-term view of security and economic strength.

Rather than treating defence spending as a standalone obligation, the Budget embeds it within a broader development strategy—one that supports manufacturing, MSMEs, technology, and regional connectivity. This integrated approach recognises that national security and economic progress are mutually reinforcing.

If executed with discipline and reform-driven governance, the investments outlined in the Budget have the potential to strengthen both India's defence preparedness and its industrial base, ensuring resilience in an increasingly uncertain global environment.