



Defence Expenditure as a Part of GDP

Why in News

The Minister of State for Defence gave information about the defence expenditure as a part of GDP in Rajya Sabha.

Key Points

- The Defence Expenditure is **increasing every year in absolute terms**, implying higher spending. However, Defence Budget as a **percentage of GDP** may appear to be **decreasing** due to the **increasing trend in the growth of GDP**.
- In Budget Expenditure (BE) 2019-20, total Defence Budget (including Miscellaneous and Pensions) is 15.47% of total Central Government Expenditure.
- In BE 2019-20, the Capital Budget of the Ministry of Defence is approximately 31.97% of the total capital expenditure of the Central Government Expenditure.
- The expenditure on operations/ maintenance and Defence Infrastructure has been maintained optimally.

GDP

- GDP stands for "**Gross Domestic Product**" and represents the total monetary value of all final goods and services produced (and sold on the market) within a country during a period of time.

Capital expenditure

- Capital expenditure is the money spent on the acquisition of assets like land, buildings, machinery, equipment, as well as investment in shares.

Capital Budget

Capital Budget consists of:

- **Capital receipts**
 - Capital receipts are loans raised by the government from the public (which are called market loans), borrowings by the government from the Reserve Bank and other parties through sale of treasury bills, loans received from foreign bodies and governments, and recoveries of loans granted by the Central government to state and Union Territory governments and other parties.
- **Capital payments**
 - Capital payments consist of capital expenditure on acquisition of assets like land, buildings, machinery, and equipment, as also investments in shares, loans and advances granted by the Central government to state and Union Territory governments, government companies, corporations and other parties.
- Capital Budget also incorporates **transactions in the Public Account**.

Source: PIB

PDF Reference URL: <https://www.drishtias.com/printpdf/defence-expenditure-as-a-part-of-gdp>

