

OF FUNDS AND FINANCES

The Naval Budget

The Navy continued to receive a very tiny slice of the already small financial cake that had been set apart for Defence. In the early stages, therefore, it was not possible to have any appreciable growth and development of the Service. The emphasis at that time was on spending more on development and less on Defence and this was brought out in the then Prime Minister Jawaharlal Nehru's own words. In a letter written to the Chief Ministers on March 1, 1950, he said:

You will remember that in the President's speech on the opening day of Parliament, reference was made to a reduction of military expenditure. After careful thought we had come to the conclusion that every effort should be made to reduce this expenditure. It is, in the long run, impossible for us to spend 50 per cent of our Central budget on defence. All progress is stopped by this top heavy expenditure. Recent events, however, have made it very difficult for us to make any substantial reduction, as we had hoped. Nevertheless, in the budget presented yesterday, there is some reduction. Last year's actuals were 170 crores for defence. This year the figure is 168. This includes a new item of 8 crores for the State armies. If we exclude this, then the reduction of 10 crores is noticeable. Of course, as our Finance Minister pointed out, we have to keep vigilant and we shall have to spend more on Defence if necessity requires it. This reduction in the present year, in spite of our difficulties and crisis, shows how earnest we are in the matter of reduction on Defence expenditure.

This emphasis on development vis-a-vis defence, was a continuing factor and any increases in defence expenditure were indeed frowned upon. Commenting on the budget for 1951-52 wherein expenditure on the Army had been reduced by Rs. 12.88 crore, Nehru wrote:

Most major countries are today spending vast sums of money in huge rearmament programmes. We are rather unique in this respect. When armies are growing up in Europe and America and more and more we hear the tramp of armed men elsewhere, in India we have had the courage to reduce our army. We have done so after the most careful thought, for the primary duty of a Government is to take no risks about the country's security. We do not think we have taken any undue risk. We have fine defence services and we are proud of them. But strength depends more on quality than on principle. Strength depends not merely on the defence services but also on the productive capacity and the economic foundation of a country. It depends finally on morale and that unquenchable spirit which never surrenders to evil or accepts defeat. We have to keep all these facts in view. The defence forces cannot carry on unless they are fed continuously by the nation's productive apparatus. Therefore, while making every endeavour

to keep up our army, navy and air force at a high level of efficiency, we have also given thought to those basic foundations which make not only the defence services but thenation generally functionina satisfactory manner. We cannot do all that we want to do because of our limited resources but we can apply those resources to the best advantage.

Later, commenting on the rise in defence expenditure, he wrote on August 1,1957:

Why has defence suddenly come up before us in this way and forced our hands to spend more and more in foreign exchange, at a moment when we could ill-afford to do so, when indeed we wanted to save every bit of foreign exchange? Few things have pained me so much recently as to spend large sums of money on the apparatus for defence. I wish we could avoid it and spend this money instead for our schemes of development and in bettering the lot of our people. But, in some matters and mostofall where the safety and security of the country are concerned, there is no choice and no risks can be taken.

The budgetary methodology followed by the Government was to arrive at a national budget estimate by working out the overall availability of financial resources for the coming year. An affordable percentage of this budget was then allocated to defence, which was then subdivided into portions for the Armed Forces and the other standard heads of expenditure, like Ordnance Factories, for instance. In making these allocations, the detailed annual expenditure over the preceding years was studied and the long term plans of the Armed Forces were looked at, thoughnot necessarily adhered to. This methodology was regarded at the time as being eminently practical.

The size of the Army and the ever-present land threat was the paramount strategic factor. Since direct air support in the land battle was regarded as a *sine qua non*, the needs of the Air Force took the next priority. The Navy, considered at the time to have no perceptible influence on the land battle, was the last in the queue. It was accepted as a necessary adjunct, but one which could be built up more gradually. Our political leaders understood the maritime factor, but the compulsions of the moment made their financial allocations forits development seemresidual. This generated a feeling in the Service that what it received was whatever could be spared after the parcelling out for the others had been done. Admiral Katari, our first Indian Naval Chief has recorded:

Government budgetary policies left very little for expenditure on the Navy, certainly not enough to permit it to put into effect plans for its expansion, plans which were comprehensively drawn up as early as 1948 and for a whole decade all wecould do was to keep the service just ticking over and its morale just above the demoralization level. It inevitably called for just that much more in the way of exercise of leadership at all levels.

Admiral Katari has later recorded that:

It was a continuous stand-up row between the then Defence Minister, Krishna Menon, and Finance Minister Morarji Desai with the Prime Minister playing the role of an angry, autocratic arbitrator. In spite of the soft corner he

nursed for Menon, he generally came down on the side of the Finance Minister. He was once heard to explain, "You will not get a pie more. If we are attacked, you cope with what we have. Fight with lathis if necessary". Admiral Katari adds that the three Chiefs of Staff who were there in attendance at the Defence Committee of the Cabinet Meetings, were mute witnesses to these embarrassing scenes. The author who was a Staff Officer in the Military wing of the Cabinet Secretariat during this period recorded the minutes of the meetings for three years where the defence budgets were discussed. At one of these meetings where foreign exchange was sought for a critical item of defence equipment, Panditji peremptorily dismissed it with the remark that "Gandhiji taught us to fight with our inner strength!"

Notwithstanding all this, each year of the fifties saw a slightly higher percentage allocation for the Navy, as shown in the tables. It was never enough, but from 4 per cent in 1950-51 it more than doubled to 9 per cent in 1956-57 and reached 12 per cent in 1959-60.

Following the Chinese aggression there was a steep fall in the navy's budget allocation, descending to 4 per cent in 1964-65. Indeed the Chinese aggression was such a blinding surprise that we seemed to have lost sight of the maritime perspective for several years thereafter.

Everyone in the Government accepted the fact that the Navy was an equipment-oriented Service rather than a manpower-oriented Service, and that made it an expensive one. The Navy's capital budget, spent on acquiring hardware for combat, maintenance and training involved heavy expenditure, much of it in foreign exchange. Left with no permanent training establishments after partition, a heavy civil works budget was necessary for setting up new facilities. And the fact that we had switched from acquiring second hand to buying new ships of the latest design meant the establishment of a whole new range of maintenance facilities in our repair yards.

Out of Rs 168 crore allocated to Defence in 1950-51 the Navy received only Rs 8 crore which was not more than 4 per cent of the Defence budget. Increases continued to be small as years went by, but in 1953-54, out of the total allocation of Rs 197 crore, the Navy was allocated Rs 12 crore which now worked out to 6 per cent of the Defence budget. There was, however, a substantial increase in 1954-55 raising the naval budget to Rs 15 crore and Rs 19 crore in 1955-56. The capital expenditure had also gone up from Rs 2 crore in 1953-54 to Rs 7 crore in 1955-56, but new acquisitions and initial and part fulfilment of development plans absorbed these increases. In 1957-58 the total defence budget was Rs 278 crore and the Navy's share went up to Rs 27 crore. The capital expenditure had increased to Rs 13 crore. In 1958-59 the Navy received Rs 31 crore with capital expenditure increasing to Rs 15 crore. The Service now had 10 per cent of the defence budgetary allocation. Thereafter, in the next year, i.e., in 1959-60, while there was a small decrease in revenue expenditure, the capital expenditure increased by Rs 4 crore, and the Navy now received Rs 33 crore which was 12 per cent of the total Defence budgetary allocation.

In 1960-61 the Navy's allocation decreased and came down to Rs 32 crore and in 1961-62, 1962-63, 1963-64 and 1964-65 the Navy's allocation further went down and ranged from Rs 24 to 28 crore. It was a continuous struggle to get adequate funds even to maintain the naval force at a minimum level for limited defence and

Pensions & Defence PSUs"

It is apparent from the above that though the allocation made to the Navy during the period rose from Rs 8 crore to Rs 33 crore, the percentage of the total budget allocation rose from 4 per cent in 1950-51 to 12 per cent in 1959-60 but dropped to 4 per cent in 1964-65. The service thus failed to develop owing to inadequacy of funds, to a level commensurate with its tasks and responsibilities in the context of the politico -military situation developing in the Indian Ocean area. This was probably due to the persistent land-oriented defence perception of the powers that be and thus the capabilities of the Service continued to be confined to a brownwater role. The prospects for development proposed in the Plan Papers of the Navy prepared after Independence also continued to remain unfulfilled.

Footnote:

Defence Budget -1991-92

The Defence budget has gone up by Rs600 crore in the budget proposals for 1991-92; up from Rs 15,750 crore in the revised estimate for 1990-91 to Rs 16,350 crore.

The revenue expenditure for the defence sector is estimated at Rs 11,139 crore for 1991-92, up from Rs 11.012 crore in the budget estimates last year.

The capital expenditure for the defence sector has jumped from Rs 4,737 crore in the budget estimate last year to Rs 5,211 crore in the budget estimate for 1991-92.

Of the three wings of the armed forces, the army, with Rs 8,079 crore attracts the lion's share in the budget estimates followed by air force with Rs 2,054 crore.

The Defence Budget at a glance

(in crores of rupees)

Total defence expenditure	16,350
Defence revenue expenditure	11,139
Defence capital	5,211

Defence Revenue Outlay

	<i>1990-91 Budget v/ Estimate</i>	<i>1990-91 Revised Estimate</i>	<i>1991-92 Budget Estimate</i>
Defence Services - Army	7,910.15	7,965.00	8,079.13
Defence Services - Navy	877.00	826.00	892.06*
Defence Service - Air Force	2,017.76	2,072.74	2,054.96
Ordnance Factories	14320	148.70	112.63
Defence Capital Outlay	4301.89	4,737.56	5,211.22

* Revenue	892.06
Capital	1413.00

2,305.06