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RESEARCH ARTICLE

PERFORMANCE OF INDIAN DEFENCE PUBLIC SECTOR UNDERTAKINGS: AN OVERVIEW

Dr. Suganthi S. and Dr. Birundha S.

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Abstract

The second-largest military force in the world, the Indian Defense sector, is on the verge of transformation. India is third in the world for military spending, with its defence spending making up 2.15% of the GDP of the nation. By 2025, GOI hopes to have a revenue of USD 25 billion, including an export of USD 5 billion in goods and services related to aerospace and defence. Two Defense Industrial Corridors have been developed by the government in Tamil Nadu and Uttar Pradesh. Defense Public Sector Undertakings (DPSUs) and Ordnance Factories (OFs) were gradually established to take on the role of designer and integrator of defence weapons and equipment under the purview of Department of Defence Production. Among 16 Defence Public Sector Undertakings (DPSU) the Hindustan Aeronautics Limited (HAL) is the largest DPSU and it tops the production with Rs.19911.5 crores in 2020 – 2021 followed by Bharat Electronics Limited (BEL) of Rs.13947 crores to Indian Defense. In today's concern, we have competent DPSUs that are able to establish standards for the private sector in the manufacturing of defence goods because significant funds have already been invested in building competence in certain domains. Facilities, knowledge, and personnel developed by DPSU with public financing must be used to the best of the nation's capacity as we move towards self-reliance and export capability in the acquisition of defence.

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Introduction:-

India's second-largest armed force is on the verge of revolution in the defence industry. For the "Aatmanirbhar Bharat" or Self-Reliant India project, the government has designated the defence and aerospace industry as a focal area. A strong effort is being made to construct domestic manufacturing infrastructure that is backed by the necessary ecosystem for research and development. India is third in the world for military spending, with its defence spending making up 2.15% of the GDP of the nation. The government of India wants to reach a revenue of USD 25 billion by 2025, including an export of USD 5 billion in goods and services related to aerospace and defence. Two Defense Industrial Corridors have been developed by the government in Tamil Nadu and Uttar Pradesh. Defense exports was Rs.12,815 crore for the fiscal year 2021–2022.

Defence Manufacturing Industry in India

An important part of the Indian economy is the manufacture of defence products. With growing national security worries, the sector is probably going to grow faster. Due to continuing territorial conflicts over Kashmir's Northern State and Arunachal Pradesh's North Eastern State with Pakistan and China, respectively, demand for defence

equipment in India has increased. India has been one of the biggest importers of defence gear over the past five years in order to get a technical edge over neighbouring nations like China and Pakistan. The government has made a number of steps to promote "Make in India" operations through policy support efforts in order to modernise its armed forces and lessen reliance on external sources for defence purchases. Military fixed wing, naval vessels and surface combatants, and missiles and missile defence systems make up the top three largest market categories in the Indian defence industry. Defense Public Sector Undertakings (DPSUs) and Ordnance Factories (OFs) were gradually established to take on the role of designer and integrator of defence weapons and equipment under the purview of Department of Defence Production. Other well-known categories include military helicopters, submarines, artillery, tactical communications, electronic warfare, and military ground vehicles. Bharat Earth Movers Ltd. (BEML), Bharat Electronics Ltd. (BEL), and Hindustan Aeronautics Ltd. (HAL) are three of India's top defence manufacturers.

Objectives:-

1. To know the countries with highest military spending at world level in 2021.
2. To study the Value of Production of Defence Public Sector Units and Ordnance Factories.

Review of Literature:-

Panda and Tiwari (2022) in their study gave importance to the government's increased emphasis on modernisation and indigenization initiatives which has an impact on the Indian defence industry. It briefly discusses the framework policy governing government procurement, the policy framework around indigenization, set-off, and the measures taken by the Ministry of Defence. The government of India has encouraged the reduction on dependency on imports by putting the country on transformation on innovation and proliferation of technology.

Suman (2014) observed in their study that though a private sector organisation is better equipped in terms of facilities and expertise to absorb the technology, Defence Public Sector Undertakings (DPSU) are always the nominated recipient in any negotiations involving the transfer of technology.

Behara (2009) observed about the Eight Defense Public Sector Undertakings (DPSUs) which have been set up in India, and its mission is to increase the nation's defence production self-sufficiency while also supplying the Armed Forces with cutting-edge equipment. However, these undertakings have not performed up to par, which leads to the yearly importation of billions of dollars' worth of weaponry. The majority of DPSUs have a very low level of labour productivity, insignificant export, and a limited R&D base, which are all shown by a better understanding of the production profiles of these institutions. They are also overly dependent on external sources for their production demands. In order to genuinely make India self-sufficient in defence manufacturing, the DPSUs must be able to overcome these obstacles.

Research Gap

Many studies concentrated on the general aspects of defence industry, production based on defence equipments, exports and imports of defence arms to other nations etc. Only very few studies were available related to the Defence Public Sector Undertakings with relation to India. Hence, the present study.

Research Methodology:-

The methodology that has been followed to collect and to analyse the data were presented.

➤ Nature of Research Design

The study would analyse the countries with highest military spending and also the value of production of Defence Public Sector Undertakings in India. Hence, the study is both Analytical and Descriptive in Nature.

➤ Sources of Data

The Study was based on Secondary data. The required Secondary Data were collected from the published sources like Annual Reports of Ministry of Defence, Government of India.

➤ Period of Study

The study covered a period of 9 years. (i.e 2013 – 14 to 2020 – 21).

➤ Method of Data Analysis

The collected data were analysed with the help of simple statistical tools.

Analysis and Discussion:-

In the recent years, the India's defence production has risen at a quicker rate. A brief analysis was done on the value of production of defence public sector undertakings of India.

Countries with highest military spending worldwide in 2021

In actual terms, the total amount spent on the military worldwide grew by 0.7% in 2021. According to new information on global military expenditures released today by the Stockholm International Peace Research Institute, the United States, China, India, the United Kingdom, and Russia jointly accounted for 62% of expenditure in 2021.

In 2021, global military spending grew further and surpassed \$2.1 trillion for the first time. According to **Diego Lopes da Silva**, Senior Researcher at SIPRI's Military Expenditure and Arms Production Programme, "Even during the economic impact of the Covid-19 outbreak, world military spending achieved record levels." The pace of real-terms growth slowed down as a result of inflation. However, the nominal increase in military budget was 6.1%. The worldwide military burden—defined as global military spending as a fraction of global gross domestic product (GDP)—fell by 0.1 percentage points, from 2.3% in 2020 to 2.24% in 2021, as a result of a fast economic rebound.

Table 1:- Countries with highest military spending worldwide in 2021.

S. No	Countries	Value (in billion US dollars)
1	United States	801
2	China	293
3	India	76.6
4	United Kingdom	68.4
5	Russia	65.9
6	France	56.6
7	Germany	56
8	Saudi Arabia	55.6
9	Japan	54.1
10	South Korea	50.2

Source: Stockholm International Peace Research Institute (SIPRI)

Production of Defence Public Sector Undertakings (DPSUs)

Defence Public Sector Undertakings (DPSUs) and Ordnance Factories (OFs) were gradually established to take on the role of designer and integrator of defence weapons and equipment under the purview of Department of Defence Production. Among 16 Defence Public Sector Undertakings (DPSU) the Hindustan Aeronautics Limited (HAL) is the largest DPSU and it tops the production when compared to other Defence Public Sector Undertakings. Among 9 DPSUs the HAL tops the list in terms of value of production in all the years when compared to other DPSUs in India. The compounded annual growth rate (34.22%) was high with MDL since there was a increased production value followed by BEL with 9.57% all over the years.

Table 2:- Value of Production of Defence Public Sector Undertakings (DPSUs) (in Rs.crores).

Year/ DPSUs	HAL	BEL	BEML	BDL	GRSE	GSL	HSL	MDL	MIDHANI
2013 - 14	15867	6127	2814	1804	1612	509	453	286	572
2014 - 15	16289	6659	2599	2770	1613	570	294	3593	640
2015 - 16	17273	7782	2740	4300	1707	726	593	4122	679
2016 - 17	17103	9244	2624	5011	928	1030	618	3524	696
2017 - 18	17553	9670	3227	4641	1346	1343	584	4399	698
2018 - 19	18650	11921	3467	3235	1379	848	536	4608	815
2019 - 20	20589	12348	3321	2592	1425	903	495	4897	970
2020 - 21	19912	13947	3556	2043	1133	827	393	4042	772
CAGR	2.56	9.57	2.63	1.39	-3.84	5.54	-1.57	34.22	3.39

Source: Annual Report 2020 – 2021, Ministry of Defence, Government of India.

Scope for further Research

The present study examines about the world highest military spending and also the value of production of defence public sector undertakings in India. Therefore, it would help us to understand the impact of defence production under the DPSUs in India being the world's second largest armed force.

Conclusion:-

In today's concern, we have competent DPSUs that are able to establish standards for the private sector in the manufacturing of defence goods because significant funds have already been invested in building competence in certain domains. Facilities, knowledge, and personnel developed by DPSU with public financing must be used to the best of the nation's capacity as we move towards self-reliance and export capability in the acquisition of defence. The Indian government is focusing on creative approaches to strengthen the nation's defence and security through "Innovations for Defence Excellence (iDEX)," which has given start-ups a platform to interact with the defence establishments and produce new technological solutions in the upcoming years.

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