

## **Economic Planning in India**



**Lesson: Economic Planning in India**

**Lesson Developers: Taruna Rajora,  
Research Scholar, CCS University**

**Reviewer: Prof. M. M. Goel**

# Economic Planning in India

## Table of contents

- 1) Learning outcomes.
- 2) History and meaning of planning.
- 3) Need for planning.
- 4) Types of economic planning-:
  - Planning by direction.
  - Planning by inducement.
  - Perspective planning.
  - Indicative planning.
  - Democratic planning.
  - Fixed planning.
  - Centralized planning.
  - Decentralized planning.
- 5) Planning under capitalism, socialism and mixed economy.
- 6) History of Indian planning-:
  - Bombay plan.
  - Gandhian plan.
  - People's plan.
  - Sarvodaya plan.
- 7) Planning commission and its functions.
- 8) National development council (NDC).
- 9) Objectives and functions of national development council.
- 10) Five year plans.
- 11) Growth rate of five year plans in tabular form.
- 12) Exercises.
- 13) References.
- 14) Multiple choice questions (MCQs)

## Learning outcomes

After reading this chapter you will be able to know about -:

- I. History, meaning and need of planning.

## Economic Planning in India

- II. Different types of planning.
- III. Planning commission and its functions.
- IV. National development council (NDC), its objectives and functions.
- V. Important features of five year plans and their growth rates

### History

The very idea of Planning is deeply rooted in Indian context as we have centuries old civilization Like mohanjadaro and Indus valley which were well planned and structured in their growth . The present thought of economic planning is fairly new somewhat embedded in Marxian Socialism. In 19th century, intellectuals, theorist, thinkers, from Europe has put idea of state involvement to stop capitalism and inequality of the society. Soviet Union has idea of economic planning for the first time in 1928 which was given to transform the country in industrial super power. Idea of Economic Planning got strength during period of great depression in 1930 and Keynes writing also advocated worth of economic planning. The occurrence of Second World War also necessitated the proper and efficient planning of economic resources for the successfully handling aftereffects of war.

### Meaning of Planning

It is somewhat complicated to give specific definition of "Economic Planning" which may be satisfactory to all. Different perspectives are their which give different connotation and contents to Economic Planning. Planning is the process of achieving the goals for nation economic development by using resources in the well planned way.

### Need of Planning

1. **To Increase the rate of Economic Development.** In underdeveloped countries increase in the rate of economic development is the basic objective of planning. Income, saving and investment should be increased, to enhance the level of capital formation which helps in raising the rate of economic development. People in underdeveloped countries are poor. Their income level is low which reduces the capacity of the people to save. Low saving results in lower level of capital formation. Due to scarcity of capital and lower productivity the rate of investment is low. In this situation two methods can be used one is planned development by importing capital from out of the country which Zweig Calls "Supported industrialization" and the other is by enforced saving which he characterizes as "Self Sufficient Industrialization."
2. **To eradicate Unemployment.** The need for planning is more stressed by need for eradicating the unemployment in economies. In underdeveloped countries problem of unemployment arises because of Capital being limited and labor being abundant. Due to excess labor available there arises involuntary unemployment in the economy. It can be solved by placing well powerful authority at central level and giving more power to this authority can solve this problem.
3. **To Improve and Strengthen Market Mechanism.** The need for planning is there to improve and strengthen market mechanism .The market mechanisms works improperly in underdeveloped countries because of the lack of knowledge and unfamiliarity with it. The major parts of economy of under developed country consist of non-monetized sector. The production factors, money are not organized properly. The price system exist only at very basic level .Therefore planning is required bring a match between demand and supply side of the economy and other resources.
4. **Fair progress of the Economy.** In absence effective efficient planning there is a greater need of setting up institution which is dedicated to only planning of economy.

## Economic Planning in India

For faster growth of an economy the agriculture and industrial sector need greater investment, attention, effective policies from the government. Import and Export needs to be kept on checked condition there should be an effort to balance both import and export so that foreign exchange can be managed effectively. For fair progress of the economy the following all the sectors are required to grow.

- (i) Progress of Agricultural and Industrial sectors.** The necessity for developing the agricultural sector with industrial sector arise from the fact that agriculture and industry are dependent on each other. Reorganizing the agriculture sector will release excess man power which can be taken into system by industrial sector. Growth of agricultural sector will provide plentiful and required raw material industries.
- (ii) Progress of Money and Capital Market.** Growth of trade depends not only on agricultural and industrial sector along with stable growth of other financial institutions. Capital & money markets are undeveloped in countries all the countries. The growth of these markets depend on international markets and world economic conditions.
- (iii) Progress in Infrastructure.** For the growth of Agricultural and industrial sector the infrastructure need drastic improvements at very high pace to match the growth of agriculture and industrial sector. If the Infrastructure lags behind it will impact the growth of other sectors. For achieving high growth rate in infrastructure in countries like public private model can be used more extensively for faster completion of infrastructure projects.

### Types of Economical planning

#### (i) Directional planning

Countries, which believe in socialism, followed the directional type of planning. The targets of plans are pre-determined and executed with the help of the government in power. In this form of planning all the important position and decision are taken by the state. In this type of planning all things are under control of state including, financial institutions, industrial sector, transport, and infrastructure.

### Faults of Planning by direction

- a)** It involves bureaucratic system, which is time consuming, and there is lack of clarity.
- b)** People are not allowed to job of their choice and are not even allowed to spend and consume as per their wish.
- c)** Markets are under controls of state.
- d)** Planning by direction is very rigid process and there is very less flexibility because of absence of accountability towards consumers and producers.
- e)** Planning by direction is goal oriented which state wants to achieve at any cost due to which it becomes very tough and sometimes there is exploitation of resources and manpower which can lead to unrest.
- f)** Planning by direction can lead to standardization of process, which can result into similar production capacities and processes which diminish innovation.

#### (ii) Planning by inducement

Planning by inducement is independent planning. Process of production, forming the enterprise and various patterns of consumption by the people are regulated and controlled by the state. The government in power forms various monetary and fiscal policies to

## **Economic Planning in India**

effectively regulate the economy. If the authority want to promote any industry it can subsidy to that industry and its ancillary industries. If authority finds that there is black marketing or scarcity of a particular commodity in market they can take measures to control price and starting rationing of that commodity. For increase the capital it can take up investment and encourage private investors. It can adopt a suitable monetary policy and can fine tune taxation in the system to increase or decrease consumption.

### **Faults in planning by Inducement**

- a) As in this type of planning market forces are free therefore situation of scarcity of commodity arises and measures of rationing and price control taken by authority.
- b) Monetary and fiscal policies are insignificant to induce development of the economy by raising the rate capital formation. In an under developed country rate of capital formation is low due to level of income and saving.

### **(iii) Perspective planning**

Perspective planning contains plans for longer period of time 20 to 25 years. A perspective plan is an outline of development to be undertaken over a longer period in a phased manner. A perspective plan does not mean a single plan will take place for entire period of 20 years. In this planning targets are framed for particular time period for example five years like five years plan in India they are also known as short period plan. They can further divided into annual plans. These five-year plans generally maintain continuity. They can be further bifurcated as regional plan which pertains to state and districts.

### **Faults of Perspective planning**

- (a) In perspective type of planning plans are made for long period so they are quite rigid that it is very tough to do necessary adjustment for advancement of the plan.
- (b) Administrative problems are main concern for this kind of planning as perspective planning highly efficient bureaucracy to implement the plans.

### **(iv) Indicative Planning**

Indicative planning is a flexible kind of planning. It is also known as soft planning as it different from comprehensive or imperative planning. It works decentralized principles in the completion target plans. There is minimum rigidity in this structure of planning.

In Indicative planning the targets for public sector are mandatory while for private sector they are only indicative. But it does not mean that government cannot use its power to influence the private sector in desired direction .It was initially used in countries like France and Japan.

### **Fault of Indicative Planning**

As indicative planning can only influenced the players involved economic planning and if all player concerned are not performing as per the expectations the Indicative can turned out to be disaster .As in this planning there is not much of a authority some monopolistic players can go for personal benefit without caring about over all system which can cause inflation in the economy.

### **(v) Imperative Planning**

## **Economic Planning in India**

Under imperative planning, the government in power directs and control all the economic activities and resources in the economy. All resources are used with high efficiency to complete set targets of the plan. In such planning consumer get fixed amount of a commodity at fixed price. Rule regulation set by government is followed in the production of a commodity so that supply of the commodity can be kept on checked for surplus and scarcity in the market. Since government decision and policymaking is very rigid they are to be followed by the players. This kind of planning is in use in countries like Russia and china.

### **(vi) Democratic planning**

In Democratic planning the basic ideology is to form the democratic form of government. Plans are prepared according to the requirement and needs of the people. A democratic plan is characterize by discussion with various parties involved in the economy whether different government agencies, private parties or enterprises. This discussion will take place at level of preparation the plan. The plan will be debated at parliament of a country. Main motive of democratic planning is eradicating inequalities of income and wealth. People enjoy social, economic freedom.

### **(vii) Fixed planning**

In this planning plans are prepared for fixed period of time. The objectives and targets of fixed plan are to be achieved with in the plan period. While finalizing the budget outlay the physical targets should be keep in the mind. Physical target and spending on these targets are often not changed except during an emergency. They are used in India.

### **Faults of Fixed Planning**

- (a) There is no correlation between available resources and with planning. The main aim is to complete financial targets by foreign aid, heavy taxation, large borrowing irrespective of it ill effects on economy.
- (b) This system of planning fails to take into account future changes in the world economy or any other natural calamity.
- (c) This type of planning is not suitable for projects, which have long execution time frame, which is more than the particular plan period as they will spread into more than one plan the intensity of their execution will also change.

### **(viii) Centralized Planning**

Under centralized planning the centralized Authority plans and formulates all planning activities in the country. The authority fixes target for all industries and fix priorities for all sectors. It takes all the investment decisions according to the goals and targets set in the plan. Central authority all aspect of the economy .It fixes price for all products.

### **Faults of Centralized planning**

- (a) Centralized planning has authoritative and undemocratic characteristic, which have bureaucratic control and regulation.
- (b) The mistakes and shortcoming of the planning is not likely to be rectified.

### **(ix) Decentralized Planning**



## **Economic Planning in India**

In decentralized planning the plans are executed plan at grass root level. In this scheme of planning plan is prepared by central authority with discussion all the administrative units in the country whether at state level, district level. Plans for industries are prepared with full discussion with all the major representative stakeholders in the industries. But individual firm are free to take decision on their investment and output prices. There is a freedom production and consumption under decentralized planning.

### **Faults of Decentralized Planning**

- (a) Its reliance on the market mechanism leads to shortages or surpluses in the production of goods and services.
- (b) It required lot of adjustment from government for problem in supply side.
- (c) It is very tough to have coordination between planned & unplanned sectors.

### **Planning in a Capitalist Economy**

Planning under capitalism is not based on any essential plan. In absence of central plan, the way of production is owned privately. Production is also carried out by private enterprise .It is structured and framed by government. Market prices are determined by market forces not by government. Under Capitalism the institution of private ownership, private enterprise, and price mechanism continue to operate. There is no comprehensive planning in capitalism. In capitalism government do regulatory work to avoid recession and inflation and to prevent monopoly. Government works towards raising standard of living of people.

### **Planning in a Socialist Economy**

In Socialism planning is based on central plan. There is a central command for planning, which formulates and execute plan for entire economy. There is a centralization of power for planning and every aspect of planning is centralized. The problems of an economy are handled centrally by the planning body established. For achieving the objective of full employment, distribution of national income planning authority all means of production and distribution. The pricing process under socialist planning does not operate freely but works under control and regulation of the central planning authority. Production of goods is generally governed by the preferences of consumers and available consumer goods are distributed to them at fixed prices. Under socialist planning consumer choice is confined to the choice of socially useful commodity which planning authority thinks deems fit produce and to provide to people.

### **Planning in a Mixed Economy**

Mixed Economy lies between Socialist and Capitalist economy planning model. This system of planning is free from all problems of both capitalist and social economic planning model and it has all the good features of both socialist and capitalist economy. That's why it is called mixed economy. Planning in mixed economy is not comprehensive like in socialist economy. In this setup economy is bifurcated into public and private sector for the purpose of the economic development. The public sector works under direct control of the government which regulates its production and distribution. Budgeting is done for important sector like health, defense, and transport. There is a feeling that all public utilities which state operated are for welfare of public. In private sector individuals are managing and framing their production and distribution, but under state regulation so that public interest can be protected. State gives subsidies to the industry and also to the common man. State can nationalize any industry for the bigger public interest.

# Economic Planning in India

## History of Planning in India

Economic planning becomes part of Indian political system much before the introduction of first five-year plan. Book named "Planned economy for India" written by M. Visheshvraya which is somewhat a theoretical development towards economic planning. In his book he published his own suggestions for a ten-year plan for India. He proposed under the Plan to double the income of the country within ten years. In the chapter 7 of his book he proposed to increase the indigenous capital invested in organized industries in British India from Rs. 300 crores to Rs. 1,000 crores and the value of yearly production from all classes of industries from Rs. 400 crores to Rs. 2,000 crores. The proposals involve a combined outlay of about Rs. 700 crores on all new industries over the entire period of ten years. He described if left to private enterprise, industries will not make satisfactory progress. Government should take the lead, as every progressive government is doing now; bold policies should be laid down and adhered to, an official organization should be brought into existence, and correct comprehensive reports of progress supported by adequate statistics should be published yearly.

In 1935 government of India act introduces provincial autonomy to the system that results in the formation of congress government in eight provinces. A resolution is passed by congress working committee in 1937 to suggest the committee of inter-provincial experts to go through problems in provinces and providing solution to these problems is essential for follow up the schemes of social planning and for economic development.

In October 1938, at a conference of Ministers of Industries held under the Chairmanship of Shri Subhash Chander Bose, the then President of the Indian National Congress, a resolution was passed to provide a national level scheme for problems like low level of employment, lack of industrialization, poverty etc.

Under the leadership of Pandit Jawaharlal Nehru a national planning committee consisting of 15 members was formed but due Second World War and structural political imbalances its recommendations were not implemented.

## THE BOMBAY PLAN

Bombay plan was formulated by eight Indian industrialists with the basic aim of protecting the Indian industries from the foreign competition. Due to free market mechanism Indian producers are facing tough competition, which puts brakes on the development process and hamper their economic growth. There is a need of government intervention for proper development in the economy. In the first volume of the plan, they did not pay attention to the matters related to income distribution due to which communist party of India (CPI) heavily criticized it. According to them this type of planning would takes country towards capitalism. The plan document remains silent on the issues like land reforms and its main focus was towards industrialization. It did not take into account the inflationary effect, which were the consequences of additionally created capital. Due to these reasons this plan could not be bought into action.

### Gandhian Plan

In 1944 Shriman Naryan Aggarwal introduces a plan whose basic elements followed the Gandhian principle and was a modest kind of plan. It is known as Gandhian Plan, as it was based upon Gandhian philosophy. The outlay of the plan was estimated to be Rs. 3,500 crores only and it sought to set up a decentralized economy with self-sufficient villages and industrial production.



## Economic Planning in India

It laid emphasis on small-scale industries and agriculture. But its scheme of financing was unsound. This plan was criticized as inconsistent and insufficient.

### People's Plan

Another plan was prepared by the late M.N. Roy (a ten year plan) called the 'People's Plan'. It differed from the Bombay plan in methodology and priorities. Its main emphasis was on agricultural and consumer goods industries through collectivization and setting up of state owned industrialization. The total outlay was of Rs. 15,000 crores. It also advocated the nationalization of land. The plan was ambitious and it could not properly mobilize the resources.

In India interim government was formed in 1946. The government to address the problems concerned with planning and development within the country established advisory planning board at high level. It also recommends the establishment of planning commission at national level. In 1950 Jai Prakash Narayan published a plan document called '**Sarvodya Plan**' aimed at economic, political, social and overall development of the common masses but very small portion of it was used and the entire plan was not accepted by the government due to various complexities.

### PLANNING COMMISSION

Planning Commission was established on 15<sup>th</sup> March 1950, as a non-constitutional body with the help of document of government of India. It helps the government in planning procedure and acts as an advisory body. Pandit Jawaharlal Nehru was appointed as the first chairman of planning commission. The prime minister of India is the ex-officio chairman of the commission. There is no fixed tenure for its members and vice chairman. There is no account of qualification for its members as the government in centre appoints its members according to its own discretion. The number of its members keeps on changing according to government wishes.

### Functions

The main functions of planning commissions are as follows-:

1. It helps in estimating and recognizing the physical, human, and capital resources in the economy.
2. It prepares the plan for the balanced and rapid economic development in the country.
3. It helps the government in the allocation of resources to the most needed and weak sector in the country.
4. Evaluation of the plans in its different stages is done with the help of planning commission.
5. It gives advice to the centre and the state government on matters for which advice is solicited by them.
6. It indicates the factors, which became obstacle in the development process of the country.

### Organization

## Economic Planning in India

The Prime Minister is the Chairman of the Planning Commission, which works under the overall guidance of the National Development Council. The Deputy Chairman and the full time Members of the Commission, as a composite body, provide advice and guidance to the subject Divisions for the formulation of Five Year Plans, Annual Plans, State Plans, Monitoring Plan Programmes, Projects and Schemes.

The Planning Commission functions through several Divisions, each headed by a Senior Officer.

The Commission works through its various divisions, of which there are two kinds:

- General Planning Divisions
- Programme Administration Divisions

The majority of experts in the Commission are economists, making the Commission the biggest employer of the Indian Economic Services.



**This picture belongs to the first meeting of the planning commission advisory board, which was inaugurated by Pandit Jawaharlal Nehru in New Delhi on August 22, 1950.**

### National Development Council

National Development Council (NDC) was established as a non-statutory body on 6<sup>th</sup> August 1952 by the document of government of India. Its main purpose is to solve the differences in the opinion of states and centre. It helps in building the cooperation between states and centre. National Development Council approves plans before its implementation. Its approval is essential for introducing the plan in country

At the time of establishment of NDC chief ministers of the states became its members and in 1967 all the ministers of central cabinet, all the members of planning commission, and all those administrators of the states whom centre is ruling.

## **Economic Planning in India**

### **Objectives of National Development council**

- 1) To give stress on mobilization of resources according to the needs of plan.
- 2) To play a major role in promoting the economic policies.
- 3) To promote the balanced and rapid economic development in all the sectors of the country.

### **Functions of National Development Council**

1. National Plans are prepared with the help of guidelines prescribed by national development council.
2. It helps in evaluation of timely implementation of plans in the country.
3. Plans are prepared by planning commission but before its implementation they are studied by the national development council for ratification. NDC gave the final shape to the plan after discussion with different ministers and members of NDC.
4. It gives suggestions for achieving the maximum cooperation of the people of different groups for the implementation of plans in the country.
5. It suggests the measures for the development of weaker section of the country.

### **Five Years Plans in India**

#### **The main features of first five year plan (1951-1956)**

- To reconstruct the economy that was damaged due to repercussion effect of partition of India and 2<sup>nd</sup> world war.
- Construction of the roads, extending the transport and communication facilities and constructing the irrigation and water electricity projects were given priority which helps in proper growth and development of the country.
- Community development program was launched in 1952.
- It plans to constitute administrative and organizational set up necessary for enforcing the development programmes.
- To introduce the mechanism in the economy this helps in checking the Inflationary pressure.
- To enhance the capacity of production in the economy.
- To improve the food availability in the country.

Under the first year plan provision was made to spend a sum of Rs 2378 crore. But the actual expenditure amounted to Rs.1960 crore. In this plan agriculture was given highest priority.

Target growth rate was 2.1% in the plan period. But this plan was more than a success, achieve annual compound growth rate of 3.6% because of good harvest of last two years.

#### **The main features of Second five year plan (1956-1961)**

## Economic Planning in India

Model prepared by Professor P.C. Mahalanobis is being used in this plan. The fundamental objective of this plan was to initiate and accelerate the process of industrialization in a country.

- Hydroelectric power projects and five steel power plants were established in Durgapur, Rourkela and Bhilai
- The actual growth rate achieved in this plan was 4.2% as compared to the target rate, which was 4.5%.
- To increase the annual capital investment rate from 7% to 11% by 1960-61.
- Expansion in employment opportunities.
- During the plan period, per capita income growth rate was only 1.9% per annum but the growth rate of national income was 4.27% in the same period.
- This plan was hindered by the rising inflation rate in the economy. The price level in the economy was become more than double as compared to the first plan.
- The atomic energy commission in department of atomic energy was established on March 1<sup>st</sup> 1958.
- The main stress was on the development of heavy industries which helps in the fast progress of industrialization in the country.
- Hypothetical capital output ratio is being used which is 2:1 but in actuality in this plan period it was 3.40:1 on the basis of 1980-81 prices.

### The Main Features of Third Five Year Plan (1961-1966)

To push up the economy to the take off stage of development and self-sustaining growth in the country is the basic objective of this plan.

- To attain more than 5% annual growth rate.
- National income should grow at 30%.
- Per capita income should grow at annual level of 17%.
- To restrict the import of foodgrains there is a need of attaining the self-sufficient position in foodgrain availability.
- A target of 6% annual growth rate for foodgrains and 14% annual growth rate target was fixed for industrial production.
- The actual achieved growth rate of national income was 2.5%, against the target of 5% per annum.
- The actual growth rate of per capita was only 0.2% per annum.
- This plan miserably fails due to war with china and Pakistan during this plan period.
- Drought was faced by India which also plays its role in the failure of plan.
- It also aims at expanding the basic good industries to follow up the industrialization process in the economy.
- It ensures the proper utilization of all resources which are available to the country.

### Three annual plans (plan holiday 1966-1969)

The fourth plan was scheduled to begin from April 1, 1966, but due failure of the third plan, production in various sector became stagnant.

- In 1966 the government of India declared devaluation of rupees but favorable results could not be obtained.
- During this period main focus is on the agricultural activities.

## Economic Planning in India

- The transition period of agriculture begins in 1966 when green revolution takes place in the country. High yielding varieties of seeds is being used in the production of rice, wheat, jowar, bajra, and maize to enhance their productivity level. For efficient use of this technique better irrigation facility, fertilizers, pesticides have being developed in the country.
- The growth target was not set for these three years but the actual growth rate was 3.9%
- In this plan economy tries to overcome from the failure faced by the country during third plan.
- After absorbing the shocks of third plan period it tries to make a way out for growth and development in the country.

### The Main Features Of Fourth Five Year Plan (1969-1974)

The two principal objectives of 4<sup>th</sup> plan were sustainable growth and self dependence. To achieve these two objectives certain targets were laid down -:

- To ensure growth rate of 5.7% for economic development of the country.
- In agriculture 5% and in industrial production 8% to 10% growth target is set.
- To develop backward areas and to remove the regional imbalances.
- Regulation and control over the money supply for the purpose of stabilizing the prices in the economy.
- Maintaining the buffer stock so that problem of food crises does not arises in the country.
- Family planning programmes was introduced during this plan period, for improving the living standard and to keep a check on population growth in the country.
- To create employment opportunities for reducing the involuntary unemployment.
- To establishes the economic equality.
- Production of commodities of general consumption has been increased.

During the fourth plan, the annual growth rate of national income (1993-94 prices) was only 3.8% lower than the target growth. The annual growth rate of industrial production was only 4% which was lower than the target growth rate. In 1971 India's war with Pakistan and liberation war in Bangladesh hampers the industrial development because the funds which are supposed to be used for industrial development are utilized on after war effort. Prices increased about 61%. Nationalisation of 14 banks and first under ground nuclear test was also performed during this period.

### The Main Features of Fifth Five Year Plan (1974-1979)

The fifth plan was structured by DD Dhar. The basic objectives of the plan were 'removal of poverty' (Garibi Hatao) and self-dependence

- National programmes for essential needs in which supply of drinkable water, education at primary level, provide medical help to rural households, and electrification of the villages and cleanliness of the suburbs were included.
- In this plan more emphasis is placed on the policy of import substitution and export promotion for the betterment of the people of the country.



## **Economic Planning in India**

- There should be optimum collection and distribution system to provide benefits to the weaker section of the country.
- Unnecessary consumption should be avoided.
- For reducing the regional and social inequalities various fiscal policies and institutional measures have been introduced by the government.
- Production of commodities of general use which plays important role in day to day life was emphasized.
- Many programs were introduced in the plan period on social welfare.
- The target growth rate was 4.4% but the actual growth rate achieved was 4.7%.
- When the janta government came into power, this plan was closed in 1978 one year before its closing period which is in 1979.

### **Rolling Plan (1978 – 1980)**

After fifth plan ended before its time period there are two phases of sixth plan.

When janta government in power the plan for (1978-1983) were introduced but this plan lapses before its time period because the congress came into power and terminated the plan and a new plan was introduced in the country for the period of (1980-1985).

Rolling plan is plan by janta government for two years which is (1978-1980).

In 1979-1980 growth rate was -5.2 % (negative).

### **The Main Features Of Sixth Five Year Plan (1980-1985)**

- The first phase of sixth plan was introduced by janta government but it was abandoned by the congress and a new Sixth plan was introduced for the period 1980-1985.
- Increase in national income, modernization of technology, rapid development of the domestic sources of energy and stress on the efficient use of the energy resources.
- Ensure continuous decrease in poverty and unemployment.
- Minimum need programme was introduced for the qualitative improvement in the living standard of the poor people of the country.
- Stress on minimization of regional disparities.
- To ensure the participation of all categories of people in development process by adopting institutional strategies.
- Family planning methods was adopted for population control.
- 5.2% was the growth target but the economy has achieved the growth rate of 5.7%.

### **The Main Features Of Seventh Five Year Plan (1985-1990)**

- This plan emphasis on self dependence on foodgrains production, increase in the rate of employment, with special focus on social justice.
- The major objectives was to establish a social system based on equality and justice, to encourage self reliance by export promotion and import substitution, energy protection and development of non traditional energy sources, ecological and environmental protection.
- The growth rate of 5.8% was achieved in the economy during the plan as compared to the target growth rate which was 5.0%.

### **Annual Plan (1990-1992)**

- Due to political changes at the centre the government was not able to introduce the eighth plan on the scheduled time.
- Balance of payments account is worsening during this time.

## Economic Planning in India

- Inflation rate in 1991 was at high level specially prices of food items increases rapidly in this year.
- The government was under the danger of falling into the debt trap.
- The growth rate of 3.4% was achieved during this period.

### The Main Features Of Eighth Five Year Plan (1992-1997)

- Human development in various aspects is the basic motto of eighth plan.
- Priorities were given in the plan to create sufficient employment opportunities, to impose restrictions on population explosion by seeking people's cooperation, to make provision for primary health care facilities and vaccination in all the villages to cover entire population, to strengthen the basic infrastructure (energy, transport, communication, irrigation,) in order to support the development process.
- The average annual growth rate in agricultural and allied activities has been estimated at 3.9% while the target was 3.5%.
- During the 8<sup>th</sup> plan the services like trading, hotels, transport and communication made a good progress.
- The inflation rate based in whole sale price index was come down to 3.8% which was 16.3% in 1991.
- The fiscal deficit during 1990-1991 was 8.3% of GDP but during the plan period it came down to 5.23%.
- The plan has achieved a growth rate of 5.8% but the target was set to the level of 5.6% in the economy.

### The Main Features Of Ninth Five Year Plan (1997-2002)

The main focus of the ninth plan was 'growth with equity and distributive justice'.

In order to achieve this objective following four fields were identified -:

- Quality of life – To ensure a better life to the poor people, measures for poverty elimination and providing minimum basic services were adopted which help in creating assets and integrate these people for the development of the country. Private investors are interested only in profits so they generally do not participate in basic service sector. The state takes the responsibility of this sector to improve the quality of life of the people in the country.
- Employment promotion – It focused in creating job opportunities by developing technology in various sectors. To break the vicious circle of poverty national employment assurance scheme is introduced in this period.
- Regional imbalances – For removing regional imbalance, the speed of industrialization in the less developed area was given priority in the ninth plan.
- Self- dependence – In order to achieve self dependence the following areas are given priority-:
  - i) To ascertain the balance of payment.
  - ii) To check the burden of foreign debt and also give measure to curtail them.
  - iii) Proper utilization and protection of natural resources.
  - iv) To attain self sufficiency in foodgrains and technology.
  - v) To increase dependence on non- debt income for the purpose of development.

## Economic Planning in India

The economy was only able to achieve the growth rate of 5.5% as compared to the target which was set to 6.5%.

### The Main Features Of Tenth Five Year Plan (2002-2007)

The main focus of the Tenth Five-Year Plan was:

- Universal access to primary education by 2007.
- 15% in poor blocks and 25% in normal blocks is the essential amount required to extend the funds of gram-sabha during 10<sup>th</sup> plan.
- Food for work programme in place of employment programmes.
- For improving the conditions of the poor people especially agricultural labor great stress is given to agricultural sector.
- Sectors like real estate, transport small scale industries, transport, IT-enabled services should grow at the accelerated rate during the 10<sup>th</sup> plan period to get high job opportunities in these sectors of the economy.
- Maternal mortality rate (MMR) should be reduced to twenty per thousand live births at the end of 2007 and to ten per thousand live births at the end of 2012.
- Infant mortality rate (IMR) should be reduced to forty five per thousand live births by 2007 and to twenty eight per thousand live births at the end of 2012.
- The target growth rate was 8.1% but the economy was able to achieve only 7.8%.



**This picture belongs to the first session of the regional consultations meeting with the state governments of north India in New Delhi on 3<sup>rd</sup> July, 2006.**

### The Main Features of Eleventh Five Year Plan (2007-2012)

## Economic Planning in India

The basic components of this plan include broad based improvement in life of weaker /backward section of the society like SCs/STs, other backward classes (OBCs) etc.

Major objectives of 11<sup>th</sup> plan are as follows -:

- Manufacturing sector is targeted to grow at 12%
- Total fertility rate stand at 2.1 with the completion of the plan.
- Reduce anemia among women and girls by 50%with completion of the plan.
- It ensures the electricity connection to the rural people.
- Create 58 million new work opportunities.
- Ten percent decrease in the headcount ratio of poverty.
- 33% share in government schemes belongs to the female members of the country.
- Treatment of water waste by the end of 2011-2012.
- Efficiency of energy should be increased to 20% by 2016-2017.
- Educational unemployment should be below 5%.
- Increase of 20% in the real wage rate of those workers who are unskilled.
- Five percent increase in forest and tree cover.

The target growth rate was 8.1% but the economy in this period achieves a growth rate of 7.9%.



**In this picture prime minister Dr Manmohan singh chairing the full planning commission meeting to approve the draft for 12<sup>th</sup> five year plan in New Delhi on 20<sup>th</sup> august 2011.**

### **The Main Features of Twelfth Five Year Plan (2012-2017)**

The basic components are to enhance the capacity for rapid growth in various sectors of the economy.



## Economic Planning in India

The main objectives of the plan -:

- Real GDP must grow at the rate of 8%.
- Agriculture sector must grow at the rate of 4%
- Manufacturing sector must grow at the rate of 7.1%.
- Industrial sector must grow at the rate of 7.6%.
- Service sector must grow at the rate of 9%.
- On an average the states of the country grows at a rate which is more than the rate of growth in 11<sup>th</sup> plan.
- Head count ratio of consumption poverty to be reduced by 10 percentage points over the preceding estimates by the end of twelfth five year plan.
- Employment opportunities around 50 million in sectors other than agricultural.
- On completion of 12<sup>th</sup> plan mean years of schooling should be seven years.
- Reduce infant mortality rate (IMR) to 25 per 1000 live births and maternal mortality rate to 1 per 1000 live births, and child sex ratio (0-6) to 950 by the end of twelfth five year plan.
- Reduce total fertility rate to 2.1 by the end of twelfth five year plan.
- Increase rural tele density to 70 percent with the completion of twelfth five year plan.
- Eastern and western freight corridors must be completed by the end twelfth five year plan.
- Technology and innovation is the key of higher productivity so the resources should be moved towards this direction.
- Funds should be allocated to provide adequate transport infrastructure to minimize the cost of transportation.
- Increase the banking services so that every household enjoy the facility of banking.
- Direct cash payment method came in place of subsidies so that it will help in keeping the track of government money.
- To over the food and nutritional insecurities steps taken for sustainable growth in agricultural sector.
- One million hectare increase in green cover.
- Various measures should be taken to improve the health indicators.

### Growth Rates during Five Year Plans:

Particulars	Target growth rate	Actual growth rate
First plan	2.1%	3.6%
Second plan	4.5%	4.2%
Third plan	5.6%	2.8%
Annual plan	NA	3.9%
Fourth plan	5.7%	3.3%
Fifth plan	4.4%	4.7%
Annual plan	NA	-5.2%
Sixth plan	5.2%	5.7%



## Economic Planning in India

Seventh plan	5.0%	5.8%
Annual plan	NA	3.4%
Eighth plan	5.6%	5.8%
Ninth plan	6.5%	5.5%
Tenth plan	8.1%	7.8%
Eleventh plan	8.1% (MYR)	7.9%
Twelfth plan(initial)	9-9.5 %(Approach paper)	8.0 %(plan document)

Note-National accounts statistics (2000).

Na-(not applicable) Targets are not set for annual plans.

National income is being used in first three plans for measuring the growth rates. NDP has been used in the fourth plan and from the fifth plan onwards, the growth figures are with respect the GDP at factor cost.

### Conclusion

Indian planning process is an open process. A strong, efficient and incorrupt administration is essential for successful planning. But the underdeveloped country lacks the most. For an efficient administration, a firm educational base is essential. India has the potential to grow like a developed economy if the government is able to meet the plans not only in papers but in reality. There is a need of constant surveillance of plans to get the best result and for better development in the future.

### Exercises

- 1) What do you mean by economic planning and explain different types of planning?
- 2) Explain the main functions of planning commission and national development council in the economy?
- 3) Examine the achievements and failure of economic planning in India?

### References

- 1) Planning commission .nic.in.
- 2) The economics of development and planning, M.L. jhingan.
- 3) National accounts statistics (2000).

### Multiple Choice Questions (MCQs)

- 1) Which of the following planning is executed at the grass root level?

## Economic Planning in India

- A. Centralized planning
- B. Decentralized planning
- C. Fixed planning
- D. Imperative planning

2) Which of the following plan is also known as rolling plan?

- A. First five year plan
- B. Second five year plan
- C. Sixth five year plan
- D. Tenth five year plan

3) Rapid industrialization is the basic objective of \_\_\_\_\_

- A. Second five year plan
- B. Third five year plan
- C. Fourth five year plan
- D. Fifth five year plan

4) Which of the following period is known as plan holiday?

- A. 1969 to 1974
- B. 1966 to 1969
- C. 1965 to 1968
- D. 1961 to 1966

5) Which of the following plan is based on P.C.Mahalnobis?

- A. First five year plan
- B. Second five year plan
- C. Fourth five year plan
- D. Fifth five year plan

6) Which type of planning is a blueprint of development over a longer period of time?

- A. Centralized planning
- B. Decentralized planning
- C. Annual planning
- D. Perspective planning

## Economic Planning in India

7) Which of the following type of planning is also known as soft planning due to minimum rigidity in its structure?

- A. Indicative planning
- B. Perspective planning
- C. Physical planning
- D. Financial planning

8) Which of the following planning process used persuasion methods for manipulating the markets in the economy?

- A. Planning by inducement
- B. Planning by direction
- C. Fixed planning
- D. Perspective planning

9) Which of the following method is /are used for solving the central problems in mixed economy?

- A. Market
- B. Planning
- C. None of these
- D. Both (a) & (b)

10) Planning commission was established as ----- on -----.

- A. Non-constitutional body, 15<sup>th</sup> march 1950
- B. Constitutional body, 15<sup>th</sup> march 1950
- C. Non statutory body, 15<sup>th</sup> march 1951
- D. Statutory body, 15<sup>th</sup> march 1951

**Answers -:**

- 1. B
- 2. C
- 3. A
- 4. B
- 5. B
- 6. D

## Economic Planning in India

7. A

8. A

9. D

10. A

