

Chapter – 8: Economic Planning in India

Planning is considered as a panacea for all economic ills. Economic development of a country is closely linked with economic planning. Economic planning is an organised and co-ordinated effort to achieve certain self-disciplined objectives within a fixed timeframe through optimum utilization of community's resources so as to promote its general wellbeing.

Objectives of Planning: Increase in National Income (NI) and Per Capita Income (PCI), full employment, poverty eradication via rapid economic growth, reduction of inequalities of income and wealth, socialistic pattern of society and absence of exploitation, reduction of regional inequalities, self-reliance.

The Soviet Union is the 1st country in the world to adopt Planning. Later in 1934 M. Visweswarayya wrote "Planned Economy of India". He is the first to introduce "Planning" concept in India.

Let's have a look at some important points about the Economic Planning in India.

- ✎ 1938: National Planning Committee under Jawaharlal Nehru.
- ✎ 1943: Bombay Plan: Drafted by 8 big industrialists.
- ✎ 1944: Gandhian Plan: Srimannarayan Agarwal.
- ✎ 1945 Apr 15: People's Plan: M.N.Roy
- ✎ 1946: Planning and Development Department constituted.
- ✎ Jan 1950: Sarvodaya Plan by Jayaprakash Narayan.
- ✎ 1950 Mar 15th: Planning Commission constituted as per Art.39 of Directive Principles of State Policy of our constitution.
- ✎ Planning Commission is an Advisory Body, not a Statutory Body.
- ✎ Planning Commission's Chairman: Prime Minister (Dr. Manmohan Singh), Dy. Chairman: Montek Singh Ahluwalia.
- ✎ **Arun Maria** was appointed as 8th member, planning commission on 22-07-2009.
- ✎ Montek Singh Ahluwalia is the 1st one to become Dy. Chairman 2 Time.
- ✎ 6th August, 1952: National Development Council constituted.
- ✎ 1st Deputy Chairman, Planning Commission: V.T.Krishnamachary.

Five Year Plans in India

1st Plan: 1951-56

- ✎ Priority giving to Agriculture and Irrigation.
- ✎ "Harrod - Domar" growth model adopted.
- ✎ This is the only plan in which Prices Fell.

2nd Plan: 1956-61

- ✎ PC Mahalanobis prepared this Plan.
- ✎ Priority given to basic and heavy industries.

- ✘ Bhilai, Rourkela and Durgapur Steel Plants, ONGC, Ranchi Heavy Engg. Corporation, Neyveli Lignite Corporation, Multi-purpose projects - Nagarjuna Sagar, Bhakra Nangal, Hirakud started during this Plan.
- ✘ Deficit financing Started in this plan.
- ✘ "Socialist pattern of society" is accepted as a goal.

3rd Plan: 1961-66

- ✘ This plan is a Failure. Food output fell. i.e., became negative.
- ✘ Bokaro Steel Plant in 1964.
- ✘ Severest drought in 100 years occurred in 1965-66.
- ✘ China's and Pakistan's innovations.
- ✘ Rupee devalued in June 1966 (devaluation was first done in 1949).
- ✘ During 1966-69: Three Annual Plans, plan holiday.
- ✘ Green Revolution in 1966 Kharif.
- ✘ 14 Banks nationalized in July 1969.

4th Plan - Aim: 1969-74

- ✘ Poverty Removal, Growth with stability with distributive justice, Self-reliance.
- ✘ Gadgil Formula: It was followed since 4th plan for central assistance for state plans. This formula was modified by NDC in Dec. 1991 when Pranab Mukherjee was the Dy. Charman, Planning Commission. Hence it became Gadgil - Mukherjee formula since 8th Plan : "Planning From below" started from 4th Plan.
- ✘ "Garibi Hatao" slogan in 1971 Elections.
- ✘ Privy purses were abolished in 4th Plan.

5th Plan - Aim: 1974-79

- ✘ Poverty removal became distinct objective for the first time. DP Dhar drafted.
- ✘ "Minimum Needs Programme" launched.
- ✘ Command Area Development Programme was started in 1974-75 to utilise water in major and medium irrigation projects in an optimum manner.
- ✘ Oil Crisis: 1973 Sept.
- ✘ 20 point programme replaced 5th plan, discontinued 1 year in advance.

6th Plan: 1978-83

- ✘ Proposed by Janata party but it were defeated in elections and could implement Rolling plan for 2 years for 1978-80.
- ✘ Prof. DT Lakdawala was the Dy. Chairman, Planning Commission.
- ✘ The idea "Rolling Plan" was taken from Japan.
- ✘ "Rolling Plan" concept coined by Gunnar Myrdal.
- ✘ "Hindu Rate of Growth" crossed from 5th plan. This concept was coined by Prof. Raj Krishna (Growth Rate 3% to 3.5%)

6th Plan - Aim: 1980-85

- ✘ Poverty Eradication.
- ✘ IRDP, TRYSEM, NREP launched during this Plan.
- ✘ Visakhapatnam Steel Plant (Andhra Pradesh), Salem (Tamil Nadu) Bhadravathi Steel Plants were built.

7th Plan: 1985-90

- ✘ Food, Work, Productivity, and "Jawahar Rozgar Yojana" launched in April 1989.
- ✘ Vakil and Brahmananda's wage good strategy adopted in the 7th Plan.

8th Plan: 1992-97

- ✘ Indicative Planning: Based on the model of John.W.Muller.
- ✘ This plan achieved highest growth rate of 6.8%.

- ✎ "Indicative planning" implemented first in France in 1947-50.

9th Plan - Aim: 1997-2002

- ✎ Human resources development, growth with social justice and equality, agricultural rural development, important role to private sector.

10th Plan: 2002-07

- ✎ Growth rate target 87%, Achieved 7.8%.
- ✎ Highest in the entire planning era: 5 Crore employments, largest allocation to energy.

11th Plan: 2007-12

- ✎ Theme: "Faster and more Inclusive Growth"
- ✎ Total proposed outlay: Rs. 36, 44,718 Crores (doubled).
- ✎ Union Government Rs. 21, 56,571 Crores (59.2%)
- ✎ States Rs. 14, 88,147 Crores (40.8%)
- ✎ Approach paper to 11th Plan approved by the Planning Commission on 18-10-2006.
- ✎ 52nd National Development Council approved the Draft Plan on 09-12-2006.
- ✎ 54th National Development Council approved in its meeting on 19-12-2007.
- ✎ 55th National Development council meet held on 24-07-2010.
- ✎ Central Gross Budgetary Support Rs 14, 21,711 Crores.
- ✎ This is centre's support to plan.
- ✎ Midterm Review of the 11th plan is done by Planning commission on 23-03-2010, and the 11th plan growth target is reduced from 9% to 8.1% (It projects the growth rate for 20-09-10, 20-10-11, 20-11-12 as 7.2%, 8.5% and 9% respectively). Also to increase the outlay on infrastructure sector from the present \$ 500 billion in 11th Plan to \$ 1 Trillion in 12th Plan.

12th Plan: 2012-17

- This plan's focus is on instilling **"Inclusive Growth"** .
- The plan is concentrated to encourage the development of India's agriculture, education, health and social welfare through government spending.
- It is also expected to create employment through developing India's manufacturing sector and move the nation higher up the value chain.
- Our PM Manmohan Singh, however, warned that maintaining fiscal discipline is important as well.

12th Five Year Plan (2012-17) Overview and Highlights

- ✎ The union cabinet has approved the 12th Five Year Plan that seeks an average annual economic growth of 8.2 percent and identifies infrastructure, health and education as thrust areas.
- ✎ The growth rate has been lowered to 8.2 percent from the 9.0 percent projected earlier in view of the current slowdown in the economy and adverse international situation.
- ✎ The duration of the plan is 2012 to 2017.
- ✎ During the 11th Plan period, the average annual growth was 7.9 per cent.
- ✎ A full Planning Commission chaired by Prime Minister Manmohan Singh September 15 endorsed the document which has fixed the total plan size at Rs.47.7 lakh crore.
- ✎ The 12th Plan seeks to achieve 4 percent agriculture sector growth during the five-year period "critical to achieve inclusive growth". Here are some Highlights of the 12th Five Year Plan.

Highlights of 12th Five Year Plan (2012-17):

- ✎ Average growth target has been set at 8.2 per cent.
- ✎ Areas of main thrust are-infrastructure, health and education.
- ✎ Growth rate has been lowered to 8.2 percent from the 9.0 percent projected earlier in view adverse domestic and global situation.
- ✎ During the 11th Plan period, the average annual growth was 7.9 per cent.
- ✎ A full Planning Commission chaired by Prime Minister Manmohan Singh on September 15 endorsed the document which has fixed the total plan size at Rs.47.7 lakh Crore.
- ✎ The 12th Plan seeks to achieve 4 percent agriculture sector growth during the five-year period.
- ✎ Agriculture in the current plan period grew at 3.3 percent, compared to 2.4 percent during the 10th plan period. The growth target for manufacturing sector has been pegged at 10 per cent.
- ✎ On poverty alleviation, the commission plans to bring down the poverty ratio by 10 percent. At present, the poverty is around 30 per cent of the population.
- ✎ According to commission Deputy Chairperson Montek Singh Ahluwalia, health and education sectors are major thrust areas and the outlays for these in the plan have been raised.
- ✎ The outlay on health would include increased spending in related areas of drinking water and sanitation.
- ✎ The commission had accepted Finance Minister P. Chidambaram's suggestion that direct cash transfer of subsidies in food, fertilizers and petroleum be made by the end of the 12th Plan period.
- ✎ After the cabinet clearance, the plan for its final approval would be placed before the National Development Council (NDC), which has all chief ministers and cabinet ministers as members and is headed by the Prime Minister.

Agriculture:

- ✂ Agriculture in the current plan period has grown at 3.3 percent, compared to 2.4 percent during the 10th plan period.
- ✂ The growth target for manufacturing sector has been pegged at 10 percent.
- ✂ The document stresses the importance of infrastructure development, especially in the power sector, and removal of bottlenecks for high growth and inclusiveness. It also sets targets for various economic and social sectors relating to poverty alleviation, infant mortality, and enrolment ratio and job creation.

Poverty:

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Health and Education

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- ✂ The commission had accepted Finance Minister P. Chidambaram's suggestion that direct cash transfer of subsidies in food, fertilizers and petroleum be made by the end of the 12th Plan period.
- ✂ Direct cash transfers would bring down the government's subsidy burden as the money would go directly to the "genuine" beneficiaries and "plug leakages" in the implementation of these schemes.
- ✂ After the cabinet clearance, the plan for its final approval would be placed before the National Development Council (NDC), which has all chief ministers and cabinet ministers as members and is headed by the Prime Minister.

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