

Economic Planning

1. Economic Planning is the process in which the limited natural resources are used skillfully so as to achieve the desired goals. The concept of Economic Planning in India, is derived from Russia (the then USSR).
2. 'Planning' in India derives its objectives and social premises from the Directive Principles of State Policy enshrined in the Constitution.
3. In the year 1934, the proposal relating to economic planning came for the first time in the book of Vishveshwaraiya titled "Planned Economy for India". Thereafter in 1935 the All India Congress Committee demanded for the same. In 1944 efforts were made by 8 industrialists under "Bombay Plan".
4. Thereafter, in the same year, 'Gandhian Plan' by Mr. Mahatma Gandhi, in April, 1944 the 'People's Plan' by labour leader M.N. Roy and in January 10, 1950 the 'Sarvodaya Plan' by Mr. Jai Prakash Narayan were presented.
5. After independence, in 1947, the committee on economic planning was constituted under the chairmanship of Jawaharlal Nehru. Thereafter, on the recommendation of this committee, Planning Commission was constituted in March, 1950 and the format of first Five Year Plan was prepared in 1951.
6. The Planning Commission was constituted in India in 1950 as a nonconstitutional and advisory corporation. The Indian Constitution did not provide for the formation of Planning Commission.
7. The basic aim of economic planning in India is to bring about rapid economic growth through development of agriculture, industry, power, transport and communications and all other sectors of the economy.
8. In India, more than 11 Five Year-Plans have been implemented so far. The target and achievements of these plans are given in the following table :

Source : Planning Commission, Ninth Five Year Plan (1997-2002), Vol. I and Tenth Five Year Plan (2002-07) etc.

9. In addition to these, six yearly plans were also made. These yearly plans were made for the years 1966-67 to 1968-69, 1978-1980 and from 1990-91 to 1991-92. The plan for the year 1978-79 was continuously implemented.

First Five-Year Plan (1951-1956)

1. First five year-plan was based on the "Herrod-Domar Model".
2. The aim of this plan was to start process of balanced development of economy. Agriculture was on top priority in this plan.
3. The First Plan emphasised, as its immediate objectives the rehabilitation of refugees, rapid agricultural development so as to achieve food self-sufficiency in the shortest possible time and control of inflation.
4. This plan was successful and achieved the growth rate of 3.6%, which was more than its aim.
5. During this plan there was increase of 18% in national income and 11% in per capita income.

Second Five-Year Plan (1956-1961)

1. This plan was based on the P.C. Mahalanobis model.
2. To establish socialist order, derived from Soviet model the Second Plan aimed at rapid industrialisation with particular emphasis on the development of basic and heavy industries.
3. In this plan, Industries and Mines were on top priority and 20.1% of total outlay was allocated for this sector.
4. Second priority was given to Transport and Communication for which 27% of total plan outlay was allocated.
5. This plan was also successful and it achieved 4.1% rate of growth.
6. Various important large industries like Steel Plant at Durgapur, Bhilai and Rourkela were established during this plan.

Third Five-Year Plan (1961-1966)

1. The aim of this plan was to make the economy independent and to reach self active take off position. This plan is also called "Gadgil Yojana."
2. This plan could not achieve its aim of 5.6% growth rate.
3. In this plan, agriculture and industry both were on its priority.

4. The main reason of failure of this plan was Indo-China war, Indo-Pakistan war and unprecedented drought.

5. A growing trade deficit and mounting debt obligation led to more and more borrowings from the International Monetary Fund. The rupee was devalued in June 1966 to little success as it soon turned out.

Plan Holiday (From 1966-1967 to 1968-1969)

1. The miserable failure of the Third Plan forced the Government to declare 'plan holiday'. Three Annual Plans were drawn in this intervening period. The economy faced another year of drought during 1966-67. During this period three separate plans were prepared.

2. Equal priority was given to agriculture, its allied sectors and the industry sector.

3. The main reason of plan holiday was Indo-Pakistan war, lack of resources and increase in price-level.

Fourth Five-Year Plan (1969-1974)

1. The two main objectives of this plan were 'growth with stability' and 'progressive achievement of self reliance'.

2. In this plan 'Establishment of socialist order' was specially aimed.

3. 'Growth with justice' and 'Gibi Hatao (Removal of poverty)' were the main objectives of this plan.

4. This plan failed to achieve its aim and it achieved only 3.3% annual rate of growth as against its aim of 5.7%.

5. The short failure of this plan was due to the adversity of climate and arrival of refugees from Bangladesh.

Fifth Five-Year Plan (1974-1979)

1. The Fifth Plan draft as originally drawn up was part of a long term Perspective Plan covering a period of 10 years from 1974-75 to 1985-86.

2. The two main objectives of this plan were poverty eradication and attainment of self-reliance.

3. During the plan, initially, the growth rate target was fixed at 5.5%, however, it was amended to 4.4% later on.
4. Top priority was given to agriculture, next came industry and mines.
5. Originally the approach paper of the Fifth Plan was prepared under C.Subramaniam in 1972, but final draft of the Plan was prepared and launched by D.P. Dhar.
6. This plan was generally successful. However there was no significant decline in poverty and unemployment.
7. This plan, which was started by the then ruling Janata Government as later terminated in the year 1978.

Rolling Plan (1978-1980)

1. The new pattern started by Janata Government, which meant that every year performance of the plan would be assessed and a new plan based on such assessment be made for the subsequent year.
2. The rolling plan started with an annual plan for 1978-79 and as a continuation of the terminated Fifth Plan.

Sixth Five-Year Plan (1980-1985)

1. The Janata Government originally introduced this plan for the period 1978-83, but later a new Sixth Plan replaced it for the period 1980-85. The basic objective of the Sixth Plan was removal of poverty. The plan aimed at achieving economic and technological self-reliance, reducing poverty, generating employment and improving the quality of life of the poorest through the Minimum Needs Programme etc.
2. During this period the Indian economy made all round progress and most of the targets fixed by the Planning Commission were realised, though during the last year of the plan (1984-85) many parts, of the country faced severe drought conditions.
3. The target growth rate, in this plan, was fixed at 5.2% and it achieved successfully 5.7% of annual rate of growth.
4. In this plan, important programmes like Integrated Rural Development Programme (IRDP), Minimum Needs Programme (MNP) were started.

Seventh Five-Year Plan (1985-1990)

1. The objectives of this plan include establishment of self sufficient economy, creation of more opportunities for productive employment, slowing down the rate of population growth, to provide people with adequate nutrition and energy and environmental protection. But main aim of the plan was to increase production in all sectors and to generate opportunities for employment.
2. There was increase in per capita income at the rate of 3.6% per annum.
3. In this plan, for the first time private sector was given priority in comparison to public sector.
4. In this plan, employment generating programmes like Jawahar Rozgar Yojana were started.
5. One of the major worries during this period was widening gap between the income and expenditure of the Government, which led to mounting fiscal deficit.

Annual Plans

The Eighth Five-Year Plan (1990-95) could not take off due to the fast changing political situation at the Centre. The new government, which assumed power at the Centre in June 1991, decided that the Eight Five-Year Plan would commence on April 1, 1992 and that 1990-91 and 1991-92 should be treated as separate Annual Plans. Formulated within the framework of the Approach to the Eighth Five-Year Plan (1990-95), the basic thrust of these Annual Plans was on maximisation of employment and social transformation.

Eighth Five-Year Plan (1992-1997)

1. The fourth version of the Eighth Plan (1992—97) was approved at a time the country was going through a severe economic crisis, a rising debt burden, ever-widening budget deficits, mounting inflation and recession in industry.
2. The P.V. Narasimha Rao Government initiated the process of fiscal reforms as also economic reforms.
3. In this plan the utmost priority was given to "Development of Human Resources" i.e. Employment, Education and Public Health. In addition to this, the important aim made in this plan was to strengthen the basic infrastructure by the end of the decade.
4. This plan was successful and got 6.8% annual rate of growth, which was more than its target of 5.6%.

5. During this period, Pradhan Mantri Rozgar Yojana (PMRY) was started in the year 1993.

Ninth Five-Year Plan (1997-2002)

1. The Ninth Plan was launched in the fiftieth (50th) year of India's Independence.
2. Planning Commission released the draft Ninth Plan document on March 1, 1998. The focus of the plan is "Growth with Social Justice and Equity".
3. It assigned the priority to agriculture and rural development with a view to generating adequate productive employment and eradication of poverty. However, the plan failed to achieve the GDP growth target of 7% and realized 5.35 average GDP growth.
4. The recession in international economy was held responsible for the failure of ninth plan.

Tenth Five-Year Plan (2002-2007)

1. In the Tenth five-year plan, it had been proposed to eradicate poverty and unemployment and to double the per capita income in next 10 years.
2. The Tenth Plan has indicated that the current backlog of unemployment is around 35 million persons, i.e. 9% of the labour force.
3. The Tenth Plan was expected to follow a regional approach rather than sectoral approach to bring down regional inequalities.

Some creditable achievements of the 10th Plan

1. Gross domestic savings (as percent of GDP at market prices) averaged 28.2% in 10th Plan as against 23.1% in the 9th Plan.
2. India's foreign exchange reserves reached a level of US \$ 185 billion in February 2007.
3. Though the 10th Plan could not achieve its target of 8% growth of GDP, but has taken the economy to a higher trajectory of growth rate at 7.6% as against 5.5% in the 9th Plan.
4. Foreign investment flows were of the order of US \$ 20.2 billion in 2005-06—US \$ 7.7 billion in the form of Foreign Direct Investment (FDI) and US \$ 12.5 billion in the form

of Portfolio Investment (PI). In 2006-07, out of total inflows of the order of \$ 29.1 billion, FDI accounted for \$ 22.1 billion (i.e. 76% of total).

Eleventh Five Year Plan (2007-2012)

- 1.** The National Development Council (NDC), country's highest policy making body, endorsed the 11th Plan document on 19th December, 2007.
- 2.** It envisages an average 9% GDP growth in the first four years to end the five-year period with a growth of 10% during the terminal year 2011-12.
- 3.** Earlier 7.6% growth rate in the 10th Plan and 5.52% in the 9th Plan was achieved.
- 4.** Total Plan expenditure for the 11th Plan period (2007-12) has been proposed to the tune of Rs. 36,44,718 crore, which is more than the double the Plan expenditure of the 10th Plan.
- 5.** Of the total Plan expenditure fixed for the 11th Plan, Centre's share would be Rs. 21,56,571 crore whereas the share of the States would be to the tune of Rs. 14,88,147 crore.
- 6.** Gross Budgetary Support (GBS) for the Plan expenditure of 2007-12 has been fixed to Rs. 14,21,711 crore, whereas it was Rs. 8,10,400 crore for the 10th Plan.
- 7.** Of the GBS 74.67% will be for the Priority sectors and the rest 25.33% for non-priority sectors. For the 10th Plan it was 55.20% and 44.80% respectively.
- 8.** In the 11th plan (2007-12), overall rate of growth of GDP was 8.0%. Under-achiever was the agriculture, rate of growth of which remained low at 3.3% over the plan period, as compared to the 4% target rate of growth.
- 9.** The 11th plan visualised "Faster and more inclusive growth" as its objective.
- 10.** Balance trade deficit has reached US \$ 644 billion in this plan period (2007-12), indicating a payment crisis during the terminal year of the 11th FYP. It was this payment crisis which led to sudden depreciation of rupee in 2012, when rupee plunged from Rs.48.70 per US dollar in February 2012 up to Rs.58 per US dollar by June 2012.
- 11.** It is noteworthy here that India's trade-deficit which was of the order of \$10.69 billion in 2003-04 has shot up to \$185 billion in 2011-12.
- 12.** CAD (current account deficit) has been on rise since 2006-07 and by the year 2010-11 it had reached \$45.9 billion.

13. Under the shadow of deceleration in our economic growth especially industrial growth, galloping inflation, depreciation of rupee and balance of payment problems, the 12th FYP has begun.

Twelfth Five Year Plan (2012 – 2017)

1. The Approach Paper of the 12th Plan, approved by the NDC (National Development Council) in 2011, had set a target of 9% average-growth of GDP over the plan period (2012 —17).
2. The broad vision and aspirations of the 12th FYP (Five Year Plan) are reflected in the subtitle 'Faster, Sustainable and More Inclusive Growth'.
3. The 12th Plan sets an ambitious target of one lakh MW in power generation, where as actual realization in 11th Plan was 50,000 MW, on account of slippage in public sector power projects.
4. It seems that Government is intending to withdraw from infrastructure sector in the 12th Plan and laying more emphasis on PPP (public private partnership).
5. The Approach Paper of 12th FYP states that India has 1017 PPP projects accounting for Rs. 4,86,603 crores.
6. India to-day is second only to China in terms of number of PPP projects and terms of investments it is second to Brazil.

Types of planning

Imperative Planning : In this type of planning the Central Planning authority decides upon every aspect of the economy and the targets set and the processes delineated to achieve them are to be strictly followed. This type of planning is mainly practised in the socialist economies.

Indicative Planning : In this type of planning the State sets broad parameters and goals for the economy. It is different from centralised planning as unlike in the latter, the State does not set targets to the minutest details, but only broadly indicates the targets to be achieved. It was adopted in our country since the 8th Five-Year Plan, as practised in many developed countries.

Perspective Planning : It's a type of planning for a long period of time, usually 15-20 years. As a highly specialised task, it is operationalised through the Five Year and Annual Plans. In such form of planning, the planners formulate a perspective Plan that broadly defines the direction desired to be taken by the economy.

Rolling Plan : Under the scheme of rolling Plans, there are three different steps. First, a plan for the current year which includes the annual budget. Second, a plan for a fixed number of years, say three, four or five. It is revised every year as per the requirements of the economy. Third, a perspective plan for 10, 15 or 20 years.

Core Plan : As per this concept, the Planning Commission asks the states to submit their projected revenue estimates. On the basis of these estimates, Planning Commission determines the expenditure heads for State Annual Plans. This helps in keeping the Plan target to realistic limits and prevents diversion of funds from the priority items to the non-plan account. The concept of 'Core Plan' has emerged recently.

Planning Commission : Structure and Functions

1. The Central body for making plans in India is the Planning Commission.
2. Planning Commission was constituted on 15th March 1950. The Prime Minister is the ex-officio Chairman of this Commission.
3. There is no provision for (or mention of) Planning Commission in the Constitution of India.
4. It was constituted in the form of an advisory and specialist institution.
5. It was constituted by the Union Cabinet on the proposal of a member of Union Parliament.
6. The government has changed its organisation and structure from time to time.
7. Pandit Jawaharlal Nehru was the first Chairman of the Planning Commission.
8. There is no fixed term / tenure of the Deputy Chairman and members of Planning Commission.
9. The members are appointed by the government.
10. The government can change the number of its members.
11. The Deputy Chairman of the Planning Commission enjoys the status of a cabinet rank minister.
12. The Commission estimates physical-capital and human resources.
13. The Commission prepares plan for maximum effective and impartial use of national resources.

14. The Commission makes critical analysis of each step and gives reformative suggestions.

15. Final clearance to planning is given by "National Development Council".

National Development Council

1. National Development Council was constituted on 6th August, 1952.
2. The Prime Minister is the ex-officio Chairman and the Secretary of Planning Commission is the ex-officio Secretary of this Council.
3. Chief Ministers of all the states and the members of Planning Commission are the members of National Development Council.
4. National Development Council (NDC) is an extra constitutional body.
5. Its aim is to make co-operative environment for economic planning between states and Planning Commission.
6. **The main functions of NDC are :**
 - To evaluate the management of plans from time to time.
 - To analyse the policies affecting development.
 - To give suggestions to achieve the aim fixed in the plans.
 - To give final shape to the plan.

Models of economic development

Nehru-Mahalanobi Model

1. Nehru Mahalanobis model of development emerged as the driving force of the strategy of development adopted at the time of formulation of the Second Five Year Plan and has continued right up to the eighties.
2. It aimed enlargement of opportunities for the less privileged sections of the society.
3. Growth with social justice was the goal of Nehru-Mahalanobis model since it intended to foster a self-generating path of development with an assurance to the common man that poverty, unemployment, disease and ignorance would be removed so that individuals could realise their potential with the extension of social and economic opportunities.

4. In the Nehru-Mahalanobis model the State controlled the commanding heights of the economy through the public sector.

The Gandhian Model of Growth

1. 'Gandhian Plan' was brought out by Acharya S.N. Agarwala in 1944 and was re-affirmed in 1948, formed the basis of Gandhian model of growth.
2. The basic objective of this model is to raise the material as well as the cultural level of the Indian masses so as to provide a basic standard of life.
3. It aims primarily at improving the economic conditions of the villages of India and hence, it lays the greatest emphasis on the scientific development of agriculture and rapid growth of cottage and village industries.
4. The Gandhian model aims at the reform of agriculture as the most important sector in economic planning in India.
5. The Gandhian model's primary aim is the attainment of maximum self-sufficiency in village communities. Hence, the plan emphasises the rehabilitation, development and expansion of cottage industries side by side with agriculture. Spinning and weaving are given the first place.
6. While Nehru wanted to give prime importance to heavy industries, the Gandhian model attempts to give priority to agriculture supported by handicrafts and cottage industries.

LPG Model of Development

1. The LPG Model of development was introduced in 1991 by the then Finance Minister Dr. Manmohan Singh.
2. This model was intended to charter a new strategy with emphasis on liberalisation, privatisation and globalisation (LPG).
3. LPG Model of development emphasises a bigger role for the private sector.
4. It envisages a much larger quantum of foreign direct investment to supplement our growth process.
5. It aims at a strategy of export led growth as against import substitution practised earlier.

6. It also aims at reducing the role of the State significantly and thus abandons planning fundamentalism in favour of a more liberal and market driven pattern of development.

PURA Model of Development

1. The Union Cabinet on 20th January, 2004 accorded in principle approval for the execution of PURA within the gross budgetary support for bridging the rural-urban divide and achieving balanced socio-economic development.

2. Though, Dr. A.P.J Abdul Kalam, ever since he became the President of India has been advocating his Vision 2020, and, to eradicate poverty from India, he has been emphasizing the adoption of PURA (Providing Urban Amenities in Rural Areas); however, it was Mahatma Gandhi who underlined the exploitation of rural society by its urban counterpart.

3. The objective of PURA is to propel economic development without population transfers.

4. The PURA concept is the response to the need for creating social and economic infrastructure which can create a conducive climate for investment by the private sector to invest in rural areas.

5. Although PURA draws its inspiration from the Gandhian model of development which emphasises rural development as a fundamental postulate, yet in the prescription, it is neo-Gandhian in the sense that it intends to bring rural regeneration with the avowed objective of taking modern technology and modern amenities to the rural areas.

6. It does emphasize the enlargement of employment as the sole objective to make use of rural manpower in various development activities.

7. The PURA model, however attempts a reconciliation between employment and GDP growth objectives.

8. The 11th Plan (2007-12) has provided Rs. 248 crores for implementing the PURA scheme in 1000 rural areas in public-private partnership (PPP) mode.