UNIT 6 PLANNING IN INDIA: OBJECTIVES, STRATEGIES AND EVALUATION

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6.0 OBJECTIVES

After going through the unit, you will be able to:

• state the background and the logic for opting a conscious policy to adopt a framework of planning and development of the economy of India;
• delineate the major objectives that were set forth in the beginning and were running theme behind the Plans;
• explain strategies followed in different phases as also the gradual shift in emphasis;
• analyse the performance of economy since planning; and
• evaluate the consequences of the planning.

6.1 INTRODUCTION

After achievement of independence, India became a republic. She chose to follow a path of ‘planning for social and economic development’, which meant that the State would play a pro-active role in deciding about ‘what, how, how much, where and whom’ in economic and social activities of the system while respecting, by and large institutions of private property and market. Our Constitution itself gave scope for market to function and yet asked the State to intervene in the functioning of the market.
Thus, we adopted the middle path, the concept of mixed economy, with public and private sectors playing complementary roles, remaining active partners in the common tasks of development. We opted for democratic planning aiming to achieve a high and sustained rate of growth, a progressive improvement in the standards of living of the people, eradication of poverty and unemployment to lay the foundation for a self-reliant economy. Planning strategy envisaging the role of state vis-à-vis market has drastically shifted in favour of market in the 1990s.

In this unit, we will discuss the objectives and strategies as envisaged immediately after independence and how they have changed over a period of time. The performance of the economy will also be examined. Let us begin by stating the background of the planning first.

### 6.2 POST-INDEPENDENCE DEVELOPMENTS

Towards the end of 1938, National Planning Committee was set up under the Chairmanship of Shri Jawahar Lal Nehru. The Committee produced a series of studies on different subjects relating to economic development. Besides the National Planning Committee, eight leading industrialists of India conceived a Plan of Economic Development which is popularly known as Bombay Plan. There was also a Gandhian plan prepared by Shriman Narayan. All these plans were only of historical importance because they were just paper plans which were never implemented. Immediate after independence, nothing perceptible took place except announcement of a resolution of Industrial policy, 1948. This resolution gives, besides State’s role in vital sectors of economy, the mind of the Government with regard to establishment of a National Planning Commission, which would formulate programmes of development and would secure their execution.

The Planning Commission, however, was constituted on March 15, 1950 by a cabinet resolution—well much after independence and fifty days after promulgation of the Constitution—as an extra-constitutional body. With a view to knowing the tasks of the Commission, it is important to read the Cabinet Resolution. See Box 1. You should carefully read the italicised words and phrases to catch the ethos, objectives and policy framework of planning.

The Planning Commission was asked to prepare a six-year development plan covering the period of July 1951 to June 1957 for the Colombo Plan (for Cooperative Economic Development in South and South-East Asia, as was desired by its member-countries in May 1950. However, some time later, the Government of India chose to go independent and asked it to submit a blueprint of a Five Year Plan at its earliest. The Plan was to start and was started in April 1951, but the Draft Outline was ready only in July 1951. The final Plan (Report) came out in December 1952.

The Draft Outline (of the First Plan) was meant, it was said, to arouse a lively debate in the whole country among different sections. In a democratic State, planning is a social rather than just technical process. It was reported that intellectuals and industrialists, people and parties, press and parliamentarians all participated in the debate. But more importantly, this Draft Outline suggested formation of the National Development Council with Prime Minister as the
Chairman and Chief Ministers as members. This Council was again set up by a Cabinet Resolution dated August 6, 1952. See Box 2.

**Box 1: Resolution Constituting Planning Commission**

The Constitution of India has guaranteed certain *Fundamental Rights* to the citizens of India and enunciated certain directive *Principles of State Policy*, in particular, that the State shall strive to *promote the welfare of people* by securing and protecting as effectively as it may a *social order in which justice, social, economic and political*, shall inform all the institutions of the national life, and shall direct its policy towards securing, among other things:

| a) | that the citizens, *men and women* equally have the *right* to an adequate means of livelihood; |
| b) | that the ownership and *control of the material resources of the community are so distributed as best to sub serve the common good*; and |
| c) | that the operation of the economic system *does not result in the concentration of wealth and means of production to the common detriment*. |

Having regard to these rights and in furtherance of these principles as well as of the declared objective of the Government to promote a rapid rise in the standard of living of the people by *efficient exploitation of the resources of the country*, *increasing production*, and *offering opportunities to all employment in the service of the community*, the Planning Commission will:

1) make an assessment of the material, *capital and human resources* of the country, including *technical personnel*, and investigate the possibilities of *augmenting such of these resources as are found to be deficient* in relation to the nation’s requirements;

2) formulate a Plan for the *most effective and balanced utilisation* of the country’s resources;

3) on a determination of priorities, define the stages in which the Plan should be carried out and propose the *allocation of resources* for the due completion of each stage;

4) indicate the factors which are tending to retard economic development, and *determine the conditions which, in view of the current social and political situation, should be established for the successful execution of the Plan*;

5) determine the *nature of the machinery* which will be necessary for securing the successful implementation of each stage of the Plan in all its aspects;

6) appraise from time to time the *progress achieved* in the execution of each stage of the Plan and recommend the *adjustments of policy and measures* that such appraisal may show to be necessary; and

7) make such interim or ancillary *recommendations* as appear to it to be appropriate either for *facilitating the discharge of the duties assigned to it;* or, on a consideration of the prevailing economic conditions, *current policies, measures and development programmes;* or on an examination of such specific problems as may be referred to it for *advice by Central or State Governments.*
The resolution constituting the National Development Council lays down the following functions:

a) To review the working of the national plan from time to time;

b) To consider important questions of social and economic policy affecting national development; and

c) To recommend measures for the achievement of the aims and targets set out in the national plan, including measures to secure the active participation and cooperation of the people, improve the efficiency of the administrative services, ensure the fullest development of the less advanced regions and sections of the community and, through sacrifice borne equally by all citizens, build up resources for national development.

It is this Council which approves the Approach Paper on which the Planning Commission moves ahead for preparation of the Plan and also approves the Plan, which is placed in the two Houses of Parliament for discussion and adoption.

### 6.3 PLANNING MACHINERY

At the national level there are two bodies: (i) The Planning Commission, which is appointed by the Union Government. It formulates the plans for the whole country in which States’ Plans are dovetailed. The other is the National Development Council, which consists of Chief Ministers of all States, members of the Planning Commission and some Union Ministers. This body gives a go-ahead signal to the Commission for formulation of a particular Plan with some broad parameters. It also considers and approves the Plan before it is placed in the Parliament.

The Prime Minister is the Chairman of the Commission in ex-officio capacity. However, the Deputy Chairman is the executive head looking after day-to-day affairs of the Commission. There are few Minister-Members, including invariably Ministers for Finance and Planning, and several full-time Members, each with a charge of a group of subjects. There are several divisions, which could be categorised as: general divisions (like perspective planning, policy, financial resources), subject divisions (like agriculture, industry, housing, education, health, labour, science and technology, social welfare, trade, project appraisal, etc.), area divisions (for states or zones like hill areas), and service divisions (concerned with administration, accounts and general services like computer service division, publicity etc.). The subject divisions keep in touch with concerned ministries, state governments and other official/non-official agencies; organise research studies on their own or through outside institutions/organisations. Programme Evaluation Organisation undertakes expert evaluation studies to assess the impact of selected plan programmes.

There is only one National Plan and all State Plans are a part of it. While State Budgets are independent, State Plans are not. State Planning Boards exist. There is provision for formula-based transfer of resources, instead of scheme-based, from the Union for State Plans. However, the Planning Commission coordinates the development programmes of the Union Ministries with those of the State Governments and integrates those into a single national plan. Further, since our
planning is comprehensive, there is private sector plan component as well. However, this is an indicative exercise, combining both a forecasting and a policy-induced projection of economic activities. Implementation of the plan needs resources. Specific schemes of financing are worked out for the Union and each of the States and required efforts for additional resource mobilisation are spelt out. These flows are then integrated with the overall flow of funds for the economy as a whole.

Several Working Groups and Task Forces are appointed for seeking inputs on various sectors/sub-sectors/subjects for a particular Plan. These groups consist of economists, experts and administrators.

Whereas implementation part of the plan programmes is the responsibility of governments of various levels, the Planning Commission (and State Planning Boards) has major responsibility of formulating the five-year and annual plans; appraise their progress from time to time; and recommend adjustments of policy measure, if desired. It may also be mentioned that with each five-year plan, a perspective plan for somewhat longer period (say, 15 years) is also prepared to take care of those investments, which have a long gestation period. It also initiates such new policy measures that strengthen the process of structural changes. See Table 6.1.

**Table 6.1: Plans Prepared by the Planning Commission**

<table>
<thead>
<tr>
<th>Plan</th>
<th>Plan Period</th>
<th>Perspective Plan Period</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Five Year Plan</td>
<td>1951-1956</td>
<td>1951-1981 (30)</td>
<td></td>
</tr>
<tr>
<td>Second Five Year Plan</td>
<td>1956-1961</td>
<td>1956-1976 (20)</td>
<td></td>
</tr>
<tr>
<td>3 Annual Plans</td>
<td>1966-1969</td>
<td>No perspective Plan</td>
<td>Fourth Plan withdrawn</td>
</tr>
<tr>
<td>Fifth Five Year Plan*</td>
<td>1974-1979</td>
<td>1974-1986 (12)</td>
<td>Perspective extended to 15</td>
</tr>
<tr>
<td>Annual Plan</td>
<td>1979-1980</td>
<td>No perspective Plan</td>
<td></td>
</tr>
<tr>
<td>2 Annual Plans</td>
<td>1990-1992</td>
<td>No perspective Plan</td>
<td></td>
</tr>
<tr>
<td>Ninth Five Year Plan</td>
<td>1997-2002</td>
<td>1997-2012 (15)</td>
<td></td>
</tr>
<tr>
<td>Tenth Five Year Plan</td>
<td>2002-2007</td>
<td>2002-2012 (10)</td>
<td></td>
</tr>
<tr>
<td>* Was Curtailed by a Year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fourth Five Year Plan</td>
<td>1966-1971</td>
<td>Abandoned after Launch</td>
<td></td>
</tr>
<tr>
<td>(Sixth) Five Year Plan</td>
<td>1978-1983</td>
<td>Scrapped in January, 1980</td>
<td></td>
</tr>
</tbody>
</table>
Finally, the five-year plan is implemented through annual plans only, which are a part of respective annual budgets. With changes in conditions assumed, adjustments and adaptations are made during the course of implementation. Annual Plans thus introduce the needed flexibility.

Check Your Progress 1

Note: i) Space is given below each question for your answer.
   ii) Check your answer(s) with those given at the end of the unit.

1) What is the role assigned to the Planning Commission?

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2) Give a brief account of the formulation process of a Plan.

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3) What do you understand by perspective planning?

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6.4 PLANNING OBJECTIVES

The basic objectives of Indian planning are growth, modernisation, self-reliance, and social justice. These objectives are, in fact, the guiding principles of Indian planning. Within this basic framework of objectives, each development plan lists some priorities in the light of immediate requirements and constraints. These have, however, to be subservient to the four basic objectives indicated above.

6.4.1 The Foremost Objective: Economic Growth

The first and the foremost objective of Indian planning is the growth of the economy as rapidly as possible within a democratic framework. In a country with low per capita income and poor standard of living of the majority of the people, raising national income has naturally been the basic objective of development planning. The target growth rate of national income has generally been around 5 per cent with slightly higher rate in some of the plans, except the First Five Year Plan when the target was modest at 2.1 per cent. The anticipated rate of growth was 4.5 per cent during the Second Five Year Plan, which was
raised to 5.6 per cent for the Third Five Year Plan, and further raised to 5.7 per cent for the revised Fourth Five Year Plan. However, the target was lower at 4.5 per cent for the revised Sixth Five Year Plan (1980-85). The target or the anticipated rate of growth was set at least 5 per cent for the Seventh Five Year Plan (1985-90). The growth targets for eight, ninth and tenth plan were set up at 5.6, 6.5 and 8.1 per cent respectively.

6.4.2 Modernisation: The Second Objective

The second basic objective has been to modernise the economy. This amounts to structural and institutional changes in economic activities leading to a progressive and modern economy. This needs modernisation in all the three sectors of the economy, viz. agriculture, industry and services. One important pursuit is the shift in the sector-wise contribution to national income from agriculture to industry and the services. Agriculture has been the largest sector among all the three sectors in terms of production and employment as a matter of the colonial legacy. Another important aspect of modernisation is development of a diversified economy that produces a large variety of goods, including capital goods.

This envisages establishing new industries in the fields of engineering, chemicals, petroleum, etc. A fundamental aspect of modernisation of the economy consists in advancement of technology and innovation for making the economy efficient by upgrading the quality of products and/or reducing costs; increasing the productivity of labour and other resources. Certain institutional changes become necessary for the modernisation and development of the economy.

6.4.3 Self-reliance: The Third Objective

The third major objective of Indian economic planning was at least till 1980s to make the economy self-reliant. This implies progressively reduction and ultimately elimination of dependence on foreign aid and imports for certain critical commodities. This requires import substitution, i.e. producing the same commodities at home instead of importing them. This necessitates expansion and diversification of exports so that we are in a position to pay from our own earnings of foreign exchange. The emphasis in the case of agriculture is, however, on self-sufficiency in production of foodgrains and the raw materials for industrialisation. However, after July 1991, with the globalisation and opening of Indian economy, the shift has taken place towards outward orientation.

6.4.4 Social Justice: The Fourth Objective

Another important objective is to render social justice to all, more particularly to the deprived strata of the society. This implies improving the living standards of the weaker sections of the population, namely, landless agricultural labourers, artisans, members of scheduled castes and scheduled tribes, women and children etc. This also implies the reduction of inequalities in income and asset distribution, more particularly in the rural areas where land, the principal source of living, is unequally distributed. This also includes a variety of welfare schemes, namely, special employment programmes of the poor, land reforms in favour of the small farmers, supply of concessional or subsidised items for production as well as consumption Purposes.
Thus, the fundamental objectives of our development planning have been to secure rapid economic growth, modernisation, self-reliance, reduction in disparities of income and wealth, prevention of concentration of economic power, and creation of values and attitudes of a free and equal society.

The vigilant reader will see that promoting one objective could facilitate another but there could be contradictions too inherent in simultaneously achieving all these objectives. Realising this, the First Plan said, ‘None of these objectives can be pursued to the exclusion of others, a plan of development must place balanced emphasis on all of these.’ The same objectives were partially echoed when in some of the plans, the objective was stated as growth with redistribution.

However, when one goes through the lists of objectives given in different Plan reports (See Appendix 1) one finds them couched in different language, often difficult to identify with the basic objectives suggested above. Part of the reason could be to divide the objectives on long-term as well as medium-term/short-term basis. Long-term objectives do not differ from plan to plan but short-term may differ. Long-term objectives are couched in more general terms while short-term ones are more specific. One may like to call long-term objectives as planning objectives and short-term objectives as plan objectives.

Further, goals, objectives and targets are all different yet become blurred or indistinguishable at times. For instance, in all plans a target of growth rate for national income (or NDP or GDP) was stipulated but it was given as an objective only in a few of them. At times, even certain priorities and strategic means may substitute for objectives for they appear so important for the time being. Examples abound in documents of different plans. For example, in some of the plans, self-reliance, which was a basic strategy in earlier plans, was shown as a separate objective. Self-sufficiency in foodgrains was also indicated as objective in some of the plans while expansion of basic and heavy industry in others. In some plans one would find mention of growth with stability. In still some others, inter-regional balance is mentioned as an objective; and, perhaps, it could be stated as a separate long-term objective—also suggested as one of the functions of the National Development Council.

6.5 PLANNING POLICY FRAMEWORK

When we were embarking on the course of planning for our social and economic development, the developed world seemed to be divided into two major blocks—one was completely market oriented, essentially capitalistic in nature but an interventionist State for course correction and the other was pursuing socialistic goals through socialistic means using the State as the major instrument of change. While there were launched programmes and projects in the capitalistic world by the State in larger interest where the private enterprise would not enter, the socialistic world adopted a comprehensive approach with dominance of the State sector. In such scenario, India opted for a policy framework of mixed economy. Further, while private sector was supposed to have full freedom in many spheres and qualified freedom in several other areas, it was decided that India would opt for comprehensive planning—comprehending all sectors and all regions.

Mixed economy, as the term suggests, signifies the co-existence of public sector and private sector with respect to business enterprises—industrial, commercial
and financial. It is believed that public sector enterprises shall primarily be guided by public interest, private sector enterprises will not be solely guided by profit consideration. They shall not assume antagonistic posture but shall cooperate in the endeavour to boost the economic potential of the country. It can, thus, be articulated as a coordinated coexistence of both private and public sectors demarcated in spheres of operation with little overlap but mutually supportive of each other.

There had never been perfect market economy or perfectly socialist economy. All economies were mixed in the sense that the State did play some role of regulating market functions. Economies in the West, characterised as mixed enterprise system till sixties of the last century, are now being called as mixed economies. Our conception of mixed economy was somewhat different than the one held by Samuelson and Naurdhus as economy relying primarily on price system but using a variety of Government interventions to handle macroeconomic instability and market failure.

However, there was a cataclysmic change in the role of planning in the beginning of 1990s. Thanks to foreign exchange that we faced in 1991 due to Gulf war. Within mixed economy framework, the role of planning underwent a fundamental change. Market fundamentalism was now to guide the economy. But in the areas like environment and forest, rare minerals, land and water, where market fail to play an allocative role, planning will continue to play an important role. For public sector, the talisman was changing: do not enter an area unless you can decidedly do better. Thus, instead of resource allocation or investment planning primarily through public sector investment unmindful of its productivity, the planning was now to be oriented to more towards development of social infrastructure, where market will fail in bringing balance between societal need and private supply. It is still conceded that where a long-term perspective is needed, planning is needed. With change in attitude, planning was to become more indicative.

Check Your Progress 2

Note:

i) Space is given below each question for your answer.

ii) Check your answer(s) with those given at the end of the unit.

1) Differentiate between Planning objectives and objectives of a particular Plan.

2) In what sense, almost all the economies are viewed as ‘mixed’?

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3) Discuss essential features of planning policy framework adopted in India.

6.6 PLANNING STRATEGIES

During the last more than fifty years we cannot claim to have followed one single strategy. In fact, we find, there has been a sort of evolution and in the view of some of us, a metamorphosis since the mid-1980s or early 1990s of the century just gone by. The shift in emphasis is eloquent and noticeable. The period could be divided by broad congruence in approach. We find it convenient to divide the total period into two phases. The common features between both the phases have been indicated in the earlier section. The strategies characteristic of each phase, which we may call as phase of control and phase of regulation, are discussed below.

6.6.1 Phase of Control

During the phase one, starting from the early fifties to late eighties, the common elements that run across the plans were: expansion of public sector, industrialisation and import substitution, self-sufficiency in foodgrains, state control on financial resources, control on foreign capital, protection of small scale industries, regulation of large scale industry, curb on monopolistic practices, security to labour in organised sector, provision of public health measures and spread of education and literacy, redistribution of assets like land and curb on concentration of economic power. However, the dominant features that deserve special mention may be listed as: interventionist state, expansion of public sector, development of heavy industries, emphasis on import substitution. We may note that the last three are all in the industrial area.

Interventionist State

State will intervene in the market processes so that it secures adequate livelihood for the poor and brings down disparity among classes. It will make laws whereby intermediary interests in land are abolished and concentration of wealth is avoided. It will create institutions, which will promote agriculture, industry and trade. It will adopt such fiscal policy, which would promote growth and social justice both. It will have such monetary policy that would make adequate funds available to the industries, which are essential for the economy and/or which employ a lot of people. It would not allow free flow of foreign capital investment in the country and will direct the use, in case it allows. Keeping different interests in mind, it will determine the ownership, scale, and use of funds—particularly in industrial sphere. In short, the State will influence much of the economic activities of the private sector through various instruments like license and allocation of critical inputs, including foreign exchange under its control. This phase came to be known as license-permit-quota raj.
Expansion of Public Sector

Role of the State particularly in relation to the industries was debated in the 1930s itself. While there was unanimity in the National Planning Committee that defence industries should be owned and controlled by the State, state control was considered in other key industries as well. Much before we thought of formulating a plan, an Industrial Policy (Resolution, 1948) was already in place, which delimited the scope of public ownership of certain industries.

We may note that at the time of independence, except the railways, there was nothing spectacular in economic sphere, which could be said to be in the public sector. Industrial Policy Resolution, 1956 clearly stated that ‘the State would assume predominance and direct responsibility for setting up new industrial undertakings and for developing transport facilities’. It was widely believed that the private sector would be interested in quick-yielding industries, which would give the owners large profits in a short time as well as industries which are less risky and have short gestation period. Moreover, the indigenous private sector did not have adequate capital either. In order to initiate and accelerate the process of development, large-scale investment was needed in infrastructure and in basic and key industries. Public sector was assigned to undertake this role. In short, the basic strategy was that the public sector assumed the responsibility of developing heavy and basic industries (steel, fuel and power, machine-building and chemical industries) and social and economic infrastructure (such as banks and other financial institutions, railways and airways, power, etc.) whereas the private sector was given the right to develop consumer goods industries and trade—almost whole of internal trade and most of external trade, besides agriculture, livestock, plantation and fishing etc. Public sector supposed/expected to have the position of commanding heights.

Nationalisation

Many private industries, for one or the other reasons were nationalised, presumably in overall national interest. Coal mining and exploration, extraction, refining and distribution of crude oil, not within the exclusive public sector, were nationalised for spurring growth. Many textiles mills were nationalised to protect labour. Banks were nationalised in many phases in 1956, 1969 and 1980 to make available credit to priority sector and to expand branches in unserved areas.

Development of Heavy Industries

The development of heavy industries like engineering and machine-making industries, universal intermediaries like electricity, basic industries such as cement, heavy chemicals including fertilisers, metallurgy like iron and steel, aluminum and manganese, was accorded a priority. It was increasingly realised to develop our own machine-making capability as well production of steel, fuel, power and chemicals.

Import Substitution

Substitution of home produced goods for imported goods wherever we could, was the common refrain at least since the mid-fifties of the twentieth century. Indigenous production of both capital goods needed by producers, and consumer goods, needed by the masses was given priority. It was viewed that development of some of these industries might require a kind of protection for some time
Development Strategies in India from competition from foreign goods. We should provide it. It will save us from pressure for export on the one hand and unnecessary borrowing on the other. Import substitution was primarily a strategy of industrialisation but secondarily a strategy to conserve foreign exchange, which was scarce due to limited export potential.

But it could scarcely be said to be a non-import strategy. Reducing dependence on foreign inputs or foreign food would make vulnerable. We had experience of arm-twisting in general and within so-called aid. Therefore, we might have been extra-cautious. In spheres where we cannot do without importing, we did import. For example, importing crude petroleum was never to be substituted; only use has to be discouraged/economised first to conserve foreign exchange, later to preserve our environment. In fact, developmental and maintenance imports for industries in power and transport, export oriented industries, import-substituting industries, substitution of imports in consumer goods, particularly food, could definitely be our interest and that in energy, edible oils and nitrogenous fertilisers, was said once upon a time, could easily be seen as good. However, if we engaged in inefficient import substitution, we may not do much good. With this in view, a tilt towards export promotion was attempted rather early.

Self-reliance

Though nothing in the statement that Nehru made in April 1949 in the Parliament on foreign capital should have dissuaded flow of direct foreign investment but it was not coming for a variety of other restrictions varying from the field of operation to seeking strategic partnership with Indian firms to restrictions on repatriation on account of shortage of foreign exchange reserves etc. Foreign assistance or aid, which is a euphemism for concessional loan, could not be depended upon for its political implication. So freedom from foreign aid, including food aid and critical inputs for our industries, should become nil in due course of time for they have geo-political implications. Moreover, this strategy has great historical roots. Yet we were far away from autarky in approach, which is sometimes suggested in literature.

Various components discussed are so interlinked that one could be subsumed within another with ease. Therefore, many an analyst have chosen to describe the strategy of this phase as inward-looking policy/strategy or as autonomous development strategy.

6.6.2 Phase of De-regulation

The distinctive features of the phase two derive partly from the base, we have achieved by mid-1980s and partly for global trends of change. Our general policy in the second phase has been one of reforms. They are characterised in two ways. One is in terms of stabilisation and structural adjustment and the other, in terms of liberalisation, privatisation and globalisation, often referred to as LPG model. In the context of planning, which is more in the nature of long-term development, the second characterisation is more suitable. You will find the detailed discussion on LPG model in Unit 7.

In fact, since 1977 and especially after 1985-86, a series of economic reforms have been underway. As a result, in view of some of the economists, the long-term economic growth moved well beyond 5.5 per cent per annum compared to 3.5 per cent per annum during the first three decades. For example, import
liberalisation and export promotion were pleaded for a long time by many committees set up by the Government. In mid-1970s, imports were categorised for graded restriction as: (i) banned, (ii) restricted and (iii) open general license. But real break came with EXIM Policy 1985 and then in 1990. Many more items, including consumer goods, were re-categorised under OGL category. Gulf War purchase of the crude oil at prevailing high prices put us under severe strain of foreign exchange, the reserves falling below two-weeks requirements. NRI deposits accumulated over 1980s fast depleted and international commercial banks refused to extend new credits. The other course of seeking loans from World Bank/IMF would mean a lot of conditionalities and advice. Since 1991, we charted a new path with many implications for planning. The detailed discussion on liberalisation, privatisation and globalisation has been provided in the next unit.

Check Your Progress 3

Note: i) Space is given below each question for your answer.

ii) Check your answer(s) with those given at the end of the unit.

1) Discuss salient features of planning strategy adopted in the first three decades of planning.

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2) Point out the important elements of inward-looking policy.

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3) Discuss salient features of the dominant strategy during the second phase.

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6.7 PERFORMANCE OF THE ECONOMY

Even though all achievements could not be attributed to the planning strategies adopted nor could it be said that the strategies did not change mid-way, it is a good idea to recount what we achieved in so many years since planning. In fact, to say that we achieved this and failed in that, rather is difficult. There is nothing like black and white. Things are actually gray and we could at most say that to this extent we achieved and to that extent we failed. It is normally with respect
Development Strategies in India to period as whole that performance is usually judged. One reason for it may that we have taken a comprehensive view of planning—all sectors, whether economic in nature or of ownership, and all fields of activities—economic or social.

We refer, for this purpose, first to our long-term basic objectives of maximum production, full employment, reduction in inequality in income and wealth, and concentration of economic power. We then refer to some other areas too, which are more or less elaborations of these objectives.

Production

In the 1950s, 1960s and 1970s, we did not achieve a rate of growth beyond 3.5 per cent per annum on a long run basis and never met the targets set for a particular plan, which were normally more than 5 per cent per annum. It is difficult to assert that we did not fully exploit the potential or to say that our targets were realistic or reasonable. For example, for the First Plan we had set a very low target (1.8 per cent per annum) for rate of growth and achieved twice of it, thanks to good monsoon. During the Second Plan, we did better on growth front than the First Plan, we were unhappy as we could achieve only 4.2 per cent per annum while target set was 5.0 per cent annum. We miserably failed in Third Plan and achieved only average annual growth rate of 2.4 per cent per annum (at 1980-81 prices) and 2.8 per cent per annum (at 1993-94 prices) against the target of 5.0 per cent per annum. Again this is due to wars with China in 1962 and with Pakistan in 1965 and curse of monsoon god in 1965-66.

From the mid-1970s onward and definitely after 1979-80, one finds that the growth trajectory of the Indian economy got shifted from the path of 3.5 per cent per annum to the path of 5.5+ per cent per annum, though there were occasional setbacks. See the Table 6.2 below for Plan-wise growth rate.

<table>
<thead>
<tr>
<th>Five Year Plan</th>
<th>Target</th>
<th>Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. First Five Year Plan (1951-56)</td>
<td>2.1</td>
<td>3.6</td>
</tr>
<tr>
<td>2. Second Five Year Plan (1956-61)</td>
<td>4.5</td>
<td>4.2</td>
</tr>
<tr>
<td>3. Third Five Year Plan (1961-66)</td>
<td>5.6</td>
<td>2.7</td>
</tr>
<tr>
<td>4. Fourth Five Year Plan (1969-74)</td>
<td>5.7</td>
<td>2.0</td>
</tr>
<tr>
<td>5. Fifth Five Year Plan (1974-75)</td>
<td>4.4</td>
<td>4.8</td>
</tr>
<tr>
<td>6. Sixth Five Year Plan (1980-85)</td>
<td>5.2</td>
<td>5.5</td>
</tr>
<tr>
<td>7. Seventh Five Year Plan (1985-90)</td>
<td>5.0</td>
<td>6.0</td>
</tr>
<tr>
<td>8. Eighth Five Year Plan (1992-97)</td>
<td>5.6</td>
<td>6.7</td>
</tr>
<tr>
<td>9. Ninth Five Year Plan (1997-2002)</td>
<td>6.5</td>
<td>5.4</td>
</tr>
</tbody>
</table>

On the whole, our rate of growth over the long stretch of more than 50 years was more than 4 per cent per annum. Taking rate of growth of population as 2 per cent per annum, our per capita income could be said to have risen by more than 2 per cent per annum. Thus, on an average, the people in the new millennium are living thrice better in comparison to their parents in the same age in the wee hour of Independence. More importantly, compared to first half of the twentieth century, our performance in the second half of the century was distinctly superior,
almost three-four times and within second half of the century, the later half did better than the first half, may be by more than 50 per cent. We need to recognise much we malign our earlier performance of planning. It laid the solid foundation to stand on, be it agricultural breakthrough, industrial diversification, spread of financial institutions or physical infrastructure.

But perhaps more important is to know what was it that grew at whatever rate it did? If people are hungry, we ought to know whether we grew enough food. In 1951, we had in net terms less than 50 million tones foodgrains, including all cereals and pulses. Around the close of 1980s, we produced as much as 150 million tonnes and at the dawn of new millennium more than 200 million tonnes. In 1951, we imported around 5 million tonnes to feed ourselves. Normally, the situation was not that bad, our imports only improved food availability. While in early fifties, we had less than 400 grams of foodgrains per person, thanks to continued rise in domestic production over time by 1990 the per person availability rose to nearly 500 grams. This simply means our production in foodgrains grew at much faster pace than our population. However, we should remember that we faced very bad days in the mid-1960s when we had to import more than 10 million tonnes and we received food aid from other countries, chiefly the U.S. The U.S. once threatened to monitor food-aid on monthly basis. This forced us to usher in green revolution in the late sixties, a term for use of high-yielding variety seeds, intensive irrigation, chemical fertilisers, pesticides, etc. Thanks to its success our imports of foodgrains have been nominal. We even exported, on net basis, though at nominal scale in recent past but now our agri-exports are showing good spurt. As far as other items of mass consumption are concerned, during the years under review, we improved our per capita consumption of edible oils and vanaspati, sugar, clothing, milk, eggs, fish and tea of electricity. However, except foodgrains, we were behind our targets and are behind many other developing countries. We needed to improve further.

During the period under review, employment did not grow at a rate higher than that of population, resulting in the same rate of growth of the unemployed. The rate of unemployment, on a long run basis, continued to be the same with wide fluctuations over years, depending upon the peculiar circumstances. There was never a year when the level of economic activities in the economy demanded so much labour that we felt shortage, barring harvest seasons.

Data on unemployment and poverty, on a comparable basis, is available from 1972-73/1973-74 only. Three findings deserve our attention:

1) Unemployment on *usual status basis* fluctuated between 1.6 per cent in 1972-73 and 3.9 per cent in 1977-78, being 2.5 per cent in 1983, 3.7 per cent in 1987-88, 2.5 per cent in 1993-94 and 2.81 per cent in 1999-2000;

2) On *current daily basis*, unemployment reduced from over 8.0 per cent *person-days* in early seventies to 6.0 per cent person-days in late eighties and back to around 8.0 in nineties;

3) Poverty in terms of absolute number continued to be around 32 crore from 1973-74 to 1993-94 but reduced to 26 crore in 1999-2000;

4) Poverty in terms of proportion of people below *poverty line* reduced from around 55 per cent in 1973-74 to 39 per cent in 1987-88, 36 per cent in 1993-94 and 26 per cent in 1999-2000; and
5) Proportion of the unemployed among the poor is less than that among the non-poor.

Supposing that the trends were similar in the 1950s and 1960s, we can infer that, despite fluctuations in employment/unemployment by usual status, per person per day employment improved and wages improved. As a result, poverty reduced to some extent. However, low unemployment rate among the poor shows that the poor cannot remain unemployed as there is no other way they can get their livelihood. There were not enough employment opportunities for all that wages could rise adequately. Many people refer to such situation as jobless growth.

Our growth pattern did not create enough opportunities is evident from the fact that the government had to run a number of programmes for creating supplementary self-employment opportunities or wage employment. Some of these programmes concentrated on small farmer/manufacturer/trader so that they employ themselves and earn their livelihood by producing gadgets or providing service.

**Inequality**

We wanted to reduce inequality in the distribution of income and consumption as well as concentration of wealth. It is believed that in the initial stages of development, inequality tends to increase while the lot of everybody improves. We do not have practically any data on distribution of income over households. What we know is that the per centage of income tax payers has increased over the years and poverty as per centage of people below poverty line has reduced. In case of income tax payers, both the proportion and the absolute number of income tax payers rose. Size of the middle class has also risen both in proportion and number.

However, unless we show that income of top 10 per cent has reduced from \( y_1 \) per cent to \( y_2 \) per cent during a long period of time, we cannot say much about reduction of inequality. In the case of total private consumption expenditure incurred by the households, it appears that share of bottom 40 per cent in rural areas, for each of its deciles, has improved. On the other hand, the share of bottom 80 per cent in urban areas, for each of its deciles, has worsened the case of total private consumption expenditure incurred by the households. Even then the rural-urban disparity is on the rise.

Of the total 14 crore hectares of net sown area, we find that in the forty years since 1951, after stringent ceiling laws formulated in 1972, not even 20 lakh hectares were found to be surplus and only a little more than 10 lakh hectares were distributed to about 44 lakh persons-on an average a little over one acre. However, time has resolved the issue to a great extent. In 1951, there were 72 million households of which 60 million were in the villages and 50 million might have had land. By 1991, there were 170 million households in the country of which 125 million would have been in the villages and 100 million holders. Average holding size is just 1.4 hectare. Thus, over time increase in population leading to division of holdings has hardly left 2 per cent holdings, which are in size bigger than 10 hectares and could be said to be large. Of course, they possess almost 20 per cent land. Modal class is one with less than 1 hectare.
Let us have a look at concentration of economic power in industrial (non-agricultural) sector, which we wanted to check while promoting industrial development. We know that there are government companies and there are private sector companies and in the latter case, public limited and private limited. Paid up capital used in government companies to be as much as in the non-government companies. Out of lakhs of companies (with 2.5 lakh registered factories), less than 2000 may be considered very big by any standards. With somewhat old data, companies with less than Rs. 100 crore, with average assets worth Rs. 27 crore, account for 83.7 per cent with total assets about 30 per cent whereas companies with more than Rs. 1,000 crore, with average assets worth Rs. 1,823 crore, account for less than 1 per cent and control assets worth 20 per cent.

Now we discuss, in short, some of the other objectives, which were explicitly stated in later plans.

**Poverty**

To begin with the idea was that strategy of growth along with redistribution of wealth, like land, of income through fiscal instruments of taxation, and of consumption by intervention in market of essential commodities through price control and public distribution, mass poverty would automatically be removed. Despite modest growth and operation of redistribution instrument, it was discovered that poverty was not reducing to a significant extent. Fifth Plan started the removal of poverty as its prime objective though a few supplementary programmes for poor sections of the society were launched during the Fourth Plan itself. Rigorous exercises were carried out. Controversies after controversies took place on methods of estimation. We find that poverty, as proportion of people below poverty line, did not reduce till 1973-74 but reduced thereafter from 56 per cent to 36 per cent by 1993-94 and 26 per cent in 1999-2000. Those below poverty line also came closer to poverty line. However, absolute number of poor remained 32 crore till 1993-94 to reduce to 26 crores in 1999-2000.

**Diversification of Economic Activities**

Our industrial base, contributed by the public sector and supplemented by the private sector, got quite diversified by 1991 even though our growth rate was not rated very high. Many things, which we can produce, were not to be imported by necessity. Petroleum and petroleum products were being imported in order to conserve our own reserves. In any case we cannot do much in the area. Many heavy chemicals and fertilisers, which we had to import earlier, were being produced domestically.

Contribution of agriculture to the GDP, which used to be around three-fifths in the early 1950s, has come down to less than one-fourth and that of services, which was less than one-fifth in the early 1950s, has gone up more than a half. Contribution of industries has increased from one-tenth to one-fifth.

**Well-being and Welfare**

Many things have happened which do not get captured in what we have discussed above. Our life expectancy at birth (and at other ages) has more than doubled from around 32 years in 1951 to around 65 years in 2001, with female expectancy exceeding the male counterpart by 3 years. Infant mortality rate has considerably reduced from 140 per thousand in the fifties to 80 per thousand by the close of eighties and less than 70 per thousand by the close of the century, with good
differential between urban and urban scene, though it was yet very high in comparison to other countries. Our death rate came down to about 8 per thousand in 2001 from around 23 in 1951. By the way, birth rate too reduced to 30 per thousand by 1991 and about 20 in 2001 as against 45 per thousand in 1950s.

6.8 EVALUATION OF PLANNING

Planning seems to have lost its charm to many countries after collapse of the USSR in 1989 as a credo. Very few books are being published with title ‘planning’. Complexion of national planning for development is drastically changing from ‘doing by State’ to ‘watching by State’ in so far as economic sphere is concerned. Two major spheres still left with the State are physical infrastructure and social services. In former, public-private partnership is basically suggested as the major mode and in the latter, involvement of the NGOs is being recommended. In economic and financial sphere, it has to play the role of a regulator between players. Though a considerable chunk of economic activities still continue to be in public arena, no expansion is being sought.

However, planning as a teleological exercise will continue to be important. We embarked upon comprehensive planning for the country as a whole within the policy framework of mixed economy. Despite a metamorphosis in the late 1980s and early 1990s in our major planks of strategy, we continue to hold on to the technique of planning, if not ideology. Strategy, as the term itself suggests, ought to be grounded in realities of time and therefore ought to change even if our objectives to be achieved continue to be the same. We can look at the scene with this perspective.

Further, it is under State planning that we could be able to break-off from the colonial past in decisive manner. Not only that our growth trajectory changed from around 1 per cent annum in the first half of the 20th century to 3-4 per cent per annum in the third quarter and 5-7 per cent per annum in the last quarter but we could lay a solid foundation with diversification of economic activities, adequate production of foodgrains and competence in modern areas of technology.

Check Your Progress 4

Note: i) Space is given below each question for your answer.
    ii) Check your answer(s) with those given at the end of the unit.

1) Do you think that well-being and welfare of the people has been enhanced by five year plans?

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2) Discuss the changing role of planning in the wake of globalisation.

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6.9 LET US SUM UP

We have learnt about the rationale for resorting to planning as also pre-independence thought on planning. Planning machinery and roles of the Planning Commission and National Development Council have also been discussed.

We adopted policy framework of mixed economy with comprehensive planning. While mixed economy means co-existence and mutual support of public and private sectors, comprehensive planning means our planning exercise will encompass economic and social spheres and public and private sector both.

Next, we discussed objectives and differentiated between planning objectives and plan objectives. Planning objectives, which could be said to be long-term goals, were delineated as growth, employment and reduction in inequality to which could be added the goal of reducing inter-regional imbalance.

Planning strategy has been divided in two phases; we called them as the phase of control and the phase of regulation. While in the early phase, our strategy revolved around tighter control on many important flows, in later phase still to continue, the State is increasingly withdrawing from doing and controlling except in a few spheres but developing regulatory framework. Main features of the early phase were outlined as interventionist state, expansion of public sector, development of heavy industry, self-reliance and import substitution. Main features of the latter phase were detailed as liberalisation, privatisation and globalisation to which were added programmes of directly attacking poverty.

Finally, we discussed achievements and failures of planning as pursued in the last more than fifty years since 1951. We emphasised that we improved on all counts. Our growth rates accelerated in each subsequent period though our achievements fell short of our expectations. Our achievements were definitely commendable when we compare them with what was happening before independence. And this owes to our policy of planning for social and economic development. But we failed to some extent in reducing poverty and banishing unemployment. We utterly failed in reducing concentration of wealth or economic power in industrial sphere.

6.10 EXERCISES

1) Do you think that in the era of globalisation, privatisation and liberalisation, planning is still needed? Give reasons in support of your answer.

2) Critically examine the achievements and failures of planning in India.

3) In the wake of economic reforms, do you think that Government has abandoned the objective of social justice? Explain.

4) ‘Public sector still has to play a crucial role.’ Comment.
6.11 SOME USEFUL BOOKS


Planning Commission (2002); *Tenth Five Year Plan*, New Delhi.

6.12 ANSWERS OR HINTS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

1) i) Making assessment of the stock of material, capital and human resources; and
   ii) Formulation and appraisals of plans.
2) See Section 6.3
3) See Section 6.3

Check Your Progress 2

1) Planning objectives refer to long-term objectives whereas short-term objectives are called plan objectives.
2) From the point that states played role in regulating market functions, all economies are viewed mixed.
3) See Section 6.5

Check Your Progress 3

1) See Sub-section 6.6.1
2) See Sub-section 6.6.1
3) See Sub-section 6.6.2

Check Your Progress 4

1) See Section 6.7 under the sub-head ‘Well-being and Welfare’.
2) See Section 6.8
Appendix 1
Plan Objectives from Plan Document

First Plan
• Maximum Production
• Full Employment
• Removal of Economic Inequalities

Second Plan
• Sizeable increase in national income so as to raise level of living in the country
• Rapid industrialisation with particular emphasis on development of basic and heavy industries
• Large expansion of employment opportunities
• Reduction of inequalities in income and wealth and more even distribution of economic power

Third Plan
• Equal opportunities
• Distribution of economic powers
• Reduction in disparities in income

Fourth Plan
• Rapid increase in standard of living of people
• Greater equality in income and wealth
• Progressive reduction of income, wealth and economic power
• More benefits to relatively less privileged classes

Fifth Plan
• Removal of poverty
• Attainment of self-reliance
• Growth Rate of 5.5 per cent per annum

Sixth Plan 1978-83
• Removal of unemployment and significant unemployment
• Appreciable rise in standard of living of poorest sections
• Provision of basic needs by the State: Clean drinking water, elementary education, health care, adult literacy, rural roads, rural housing for landless, minimum services to urban slums
• Growth rate higher than attained in the past
• Significant reduction in present disparities of income and wealth
• Continued progress towards self-reliance

Sixth Plan (1980-85)
• Significant step-up in rate of growth, promotion of efficiency in resource-use and improved productivity
● Strengthening modernisation-impulses for economic and technological self-reliance
● Progressive reduction in incidence of poverty and achievement of self-reliance
● Speedy development of indigenous sources of energy with emphasis on conservation and efficiency in energy-use
● Improvement in quality of life of economically and socially handicapped population through MNP with national coverage within prescribed period and accepted standards
● Strengthening redistributive biases of public policies and services in favour of poor leading to reduction of inequality in income and wealth
● Progressive reduction in regional inequalities with increase in pace of development and diffusion of technological benefits
● Promotion of policies for control of population growth through voluntary acceptance of small family norm
● Harmony between long-term and short-term goals of development by promoting protection and improvement of ecological and environmental assets
● Promotion of active involvement of all sections in development process through appropriate education, communication and institutional strategies

Seventh Plan
● Growth in foodgrains production
● Increase in employment opportunities
● Rise in productivity
● Growth
● Modernisation
● Self-reliance and social justice

Eighth Plan
● Generation of adequate employment for near full employment by turn of the century
● Containment of population growth through people’s cooperation and scheme of incentives and disincentives
● Universalisation of elementary education and eradication of illiteracy among people in the age group 15-35
● Provision of safe drinking water and primary health care facilities, elimination of scavenging
● Growth and diversification of agriculture to achieve self-sufficiency in food and to generate surpluses for exports
● Strengthening infrastructure to support growth process on a sustained basis

Ninth Plan
● Priority to agriculture and rural development for generating adequate productive employment and eradication of poverty
• Acceleration in growth rate with stable prices
• Food and nutritional security for all, especially vulnerable sections
• Provision of safe drinking water, PHC facilities, UPE, shelter and connectivity to all in a time bound manner
• Containment of population growth
• Environmental sustainability of development process through social mobilisation and people’s participation from all sections
• Empowerment of women and socially disadvantaged groups (SC, ST, OBC, minorities) as agents of change and development
• Promotion and development of people’s participatory institutions like PRIs, cooperatives, and SHGs
• Strengthening efforts to build self-reliance

**Tenth Plan**

• Indicative target growth rate of 8.0 per annum
• Enhancement of well-being
• Availability of food and other consumption items
• Access to basic social services of education, health, drinking water and sanitation
• Expansion of social and economic opportunities for all individuals and groups reduction in disparities
• Participation in decision-making
• Substantial allocation of resources to social sector and major improvement in governance for effective use of resources
• Acceleration in growth rates of slowly growing states
• Poverty to be reduced to 15 per cent by 2007 and to 5 per cent by 2012
• High quality employment to additional labour force during the plan
• All children to be in school by 2003 and all children to complete Class V by 2007
• Gender gap in literacy and wage rate to be reduced to 50 per cent by 2007
• Population growth to be decelerated to 16.2 per cent during 2001-2011
• Literacy rate to be raised to 75 per cent by 2007
• Infant mortality rate to be reduced 45 by 2007 and to 28 by 2012
• Maternal mortality rate to be reduced to 2 by 2007 and to 1 by 2012
• Forest cover to be raised to 25 per cent by 2007 and 33 per cent by 2012
• All villages to be given sustained access to drinking water by 2007
• Cleaning of major polluted rivers by 2007 and other notified stretches by 2012.