

# Economic Planning in India

## [UPSC Notes]

### Economic Planning in India- Five Year Plans

India's first Prime Minister, Jawaharlal Nehru presented the first five-year plan to the Parliament of India on 9th July 1951. The planning was done by the Planning Commission of India, which was established on March 15, 1950. The commission directly reported to the then Prime Minister and its first Chairman who was Nehru himself.

### Economic Planning in India overview

The basic overview of Economic Planning in India along with the timeline, target growth, and actual growth is as under-

Plan	Timeline	Target Growth	Actual Growth
First Five Year Plan	(1951 - 56)	2.1 %	3.6 %
Second Five Year Plan	(1956 - 61)	4.5%	4.3%
Third Five Year Plan	(1961 - 66)	5.6%	2.8%
Three Annual Plans	(1966 - 69)	-	-
Fourth Five Year Plan	(1969 - 74)	5.7%	3.3%
Fifth Five Year Plan	(1974 - 79)	4.4%	4.8%
Rolling Plan	(1978 - 80)	-	-
Sixth Five Year Plan	(1980 - 85)	5.2%	5.7%
Seventh Five Year Plan	(1985 - 90)	5.0%	6.0%
Eighth Five Year Plan	(1992 - 97)	5.6 %	6.8%
Ninth Five Year Plan	(1997- 2002)	6.5%	5.4%
Tenth Five Year Plan	(2002 - 2007)	8%	7.6%
Eleventh Five Year Plan	(2007 - 2012)	9 %	8%
Twelfth Five year Plan	(2012-2017)	8%	-

### Need for Economic Planning in India

After India became an independent country, the known leaders had to face a lot of questions as because of the British, Indian economy became handicapped. It was challenging for the leaders make economy of the country strong. Since it was just the beginning, a formal model of planning was adopted. Also, the government came up with the idea of forming a commission and this Planning commission was established on 15th March 1950, with Former Prime Minister Jawaharlal Nehru as the Chairman. The Planning Commission used to directly report to the Prime Minister of India. However, this Planning Commission got replaced by the NITI Aayog (National Institute for Transforming India Aayog), established by Prime Minister Narendra Modi on 1st January 2015.

The major aim behind establishing the Planning Commission was to formulate plans for the most effective and balanced utilization of resources and determining priorities. Since then, the Planning Commission framed the centralized and integrated national economic programs at an interval of every five years, thereby known as the Five-Year Plans.

## Objectives of Economic Planning in India

The major objective of the Economic Planning in India is as under-

- Increased Employment
- Economic Development
- Self-sufficiency
- Economic Stability
- Regional Development
- Comprehensive and sustainable development
- Economic Inequality Reduction
- Social Welfare, and Efficient Social Service Provision
- Increased Standard of Life
- Social Justice

## History of Economic Planning in India

Economic Planning in India started before independence in 1934. A book named Planned Economy for India suggested the ten-year plan with Rs 1000 crore of outlay with an increase of 600% in industrial output per annum. Here is the complete detail on the history of Economic Planning in India along with their objectives and time frame

### Visvesvaraya Plan

The era of Economic Planning in India started with Visvesvaraya's ten-year Plan. Sir M. Visvesvaraya published a book titled "Planned Economy in India" in 1934, wherein he presented a draft to double the national income in a decade. He proposed to shift the labor from the agrarian setup to the industries, thereby advocating for democratic capitalism (similar to the USA) with an emphasis on industrialization. However, there was no follow-up of this plan in the British Government; it successfully stirred an urge for national planning among the country's educated citizens.

### National Planning Committee (NPC)

It was the first attempt to develop a national plan for India emanated in 1938 with the set-up of NPC under the chairmanship of Jawahar Lal Nehru. However, because of the commencement of World War II, the reports of the committee could not be prepared. The papers finally came out after independence in 1948-49.

## Bombay Plan

Eight leading industrialists and technocrats formulated a draft titled “A Brief Memorandum Outlining a Plan of Economic Development for India” under the editorship of Purushottamdas Thakurdas in 1944. This draft is known as the ‘Bombay Plan.’

The plan’s primary objectives were a doubling of the output of the agricultural sector and a five-fold growth in the industrial sector in 15 years. A vital principle of the Bombay Plan was that the economy could not grow without government intervention and regulation. Officially the plan was never accepted. However, its ideas were replicated in future economic plans.

## People's Plan

People's plan was drafted by M. N. Roy, the communist leader, on behalf of the Post-War Re-Construction Committee of the Indian Federation of Lahore in 1944.

It was based on ‘Marxist Socialism’ and gave primacy to agriculture. It advocated for the nationalization of agriculture and all production activities.

## Gandhian Plan

Gandhian Plan was drafted by S. N. Aggarwal, the principal of Wardha Commercial College, in 1944. The plan articulated a ‘decentralized economic structure’ for India with ‘self-contained villages. Unlike NPC and the Bombay Plan, the plan laid more emphasis on agriculture. And, wherever industrialization was discussed, it stressed promoting cottage and village-level industries.

## Sarvodaya Plan

This plan by drafted by Jai Prakash Narayan in 1950. It was inspired by the Gandhi Plan and Vinoba Bhave’s principles of self-reliance. It laid stress upon agriculture as well as small and cotton industries. It advocated self-sufficiency by curtailing the use of foreign technology and implementing land reforms and decentralized participatory planning.

## Planning Commission

After independence, the Economic Programme Committee (EPC) was formed by the All India Congress Committee. Pandit J.L. Nehru was its chairman. In 1948, this committee recommended the formation of the planning commission. It was an extra-constitutional body, charged with the responsibility of formulating five-year plans.

## National Development Council (NDC)

It was founded on August 6, 1952. It was presided over by the Prime Minister. It is the apex body for decision creating and deliberations on development matters in India. It gives the final approval to the Five-Year Plan of India.

## Economic Planning in India

The First Five-Year Plan of India was presented by Pandit Jawaharlal Nehru in 1951. Here is a detailed summary of the Economic Planning in India-

## First Plan (1951-56)

It was based on the Harrod-Domar Model. Since this Economic Plan in India was introduced soon after the independence, there were problems of severe food shortage, the influx of refugees & mounting inflation confronted the country at the onset of the first five-year plan. So, this plan had its focus on power, agriculture, transport, and price stability.

The first Economic Planning in India proved to be a successful plan primarily because a good quantity of goods was harvested in the last two years of the plan. However, it was unable to fulfill the objectives of food self-sufficiency and rehabilitation of refugees. Along with this, the objective of control of prices was more or less achieved.

## Second Plan (1956-61)

Just like the first economic plan, the second five year plan uses the simple aggregative Harrod Domar Growth Model for projecting and strategic resource allocation. Along with this, the plan was based on Prof. P C Mahalanobis's plan (thus, known as Mahalanobis Plan). This plan was huge in demand for economic stability. For this, it was considered that agriculture could be accorded lower priority.

The rapid industrialization involving basic and heavy industries was the prime focus of this plan. It favors a large number of imports using foreign loans. Acute shortage of forex led to pruning of development targets. The price rise was also seen (about 30%) via a decline in the earlier Plan & the 2nd FYP was only moderately successful.

## Third Plan (1961-66)

While forming the idea of third Economic Planning in India in India, the economy of the country has entered a takeoff stage, and that is why it focuses on making the country a self-generating and self-reliant economy. Since in the first two plans, it was observed that agriculture was less contributing to the development of the economy in India, in the third plan, priority was given to the agriculture sector to support the industry and exports.

However, the plan was not a successful one as it was unable to reach the target because of the following reasons-

- Chinese aggression in 1962,
- Indo-Pak war in 1965, and
- Severe drought from 1965 to 1966.

Because of the situation of war and conflict, the third five year plan's focus shifted to defence and development. .

## Three Annual Plans (1966-69)

Because of the war and conflicts, the third economic Planning in India proved to be a failure. It has resulted in a devaluation of the Indian rupee and inflation. These two factors postponed the fourth Five year plan, and instead of the fourth plan, three Annual Plans were introduced. The consistent agricultural and food crisis formed the foundation for these three annual plans. During these plans, a whole new agricultural strategy was implemented that included extensive use of fertilizers, distribution of high yield seed varieties, soil conservation, and exploitation of irrigation potential.

## Fourth Plan (1969 - 74)

During the Indo-Pak war, the allies refused to supply the raw material and essential equipments. This resulted in two major objectives for the fourth five year plan. These were-

- progressive achievements of self-reliance

- growth with stability

The starting two years of the fourth five year plan saw a huge production in agriculture, but the other three years were unable to fulfill the production demand because of the poor monsoon. The implementation of Family Planning Programmes was among the major targets of the Plan. The influx of Bangladeshi refugees before and after the 1971 Indo-Pak war was an important issue. The price situation deteriorating to crisis proportions, and the plan is considered a big failure.

## Fifth Plan (1974-79)

D.P. Dhar prepared and launched the draft for the fifth five year plan on the idea of the economic crisis that happened because of the run-away inflation fueled by a hike in oil prices. The failure of the Government takeover of the wheat wholesale market also contributed to the crisis. The major objective of the fifth Economic Planning in India were-

- Attainment of self-reliance.
- Removal of poverty.

Its key instruments were vital growth in the domestic rate, finer income distribution, and promoting a high growth rate. The cost calculations for the fifth five year plan were completely altered because of high inflation. Also, in 1975, the state underwent an emergency, and because of this reason, the focus was shifted to the implementation of the 20 Point Programme, introduced by the Prime Minister. This plan was put down some times and terminated in 1978 when Janta Party came into power.

## Rolling Plan (1978 - 80)

After the fifth five year plan, two sixth five year plans were introduced. One of them was introduced by Janta Government which emphasized employment rather than any other thing. It criticized the concentration of power, mounting poverty, and widening inequality by the Nehru government. But, unfortunately, the Janta Government lasted for two years only after being replaced by the Congress Government, which introduced another plan aiming toward poverty.

## Sixth Plan (1980 - 85)

The sixth five year plan was of the aim to increase the national income, decrease poverty, use of modern technology, dealing unemployment through TRYSEM, controlling population growth. Broadly, the sixth Plan could be taken as a success as most of the targets were realized even though during the last year (1984-85), many parts of the country faced severe famine conditions, and agricultural output was less than the record output of the previous year.

## Seventh Plan (1985 - 90)

Even though the government was constantly failing in overcoming the food crisis, the seventh five year plan focused on fastening the food grain production. Along with food production, this plan aimed at increasing employment opportunities & raising productivity with a focus on 'food, work & productivity'. To everyone's surprise, the plan proved to be successful as the economy recorded a 6% growth rate against the targeted 5% with the decade of the 80s struggling out of the Hindu Rate of Growth.

## Eighth Plan (1992 - 97)

Because of the political uncertainty at the center, rising debt burden, inflation, recession in the industry, worsening Balance of Payment position, and widening budget deficit, the eighth five year plan was postponed. It resulted in a bad economic situation, so the eighth five year plan was introduced that aims to undertake an annual average growth of 5.6% through the introduction of fiscal & economic reforms, including liberalization under the Prime Ministership of Shri P V Narasimha Rao. It was successful that resulted in the highest annual growth rate so far – 6.8 %. Along with this, it has also resulted in higher growth in exports and imports, agriculture, allied, and manufacturing sectors, and improvement in trade.

## Ninth Plan (1997- 2002)

The Ninth five year plan was prepared under United Front Government. It was aimed at "Growth With Social Justice & Equality. In addition to it, this plan focused on depending predominantly on the private sectors of India as well as foreign (FDI). Along with this, the state was envisaged to increasingly play the role of facilitator & involve itself with the social sector viz education, health, etc., and infrastructure where private sector participation was likely to be limited. It assigned priority to agriculture & rural development, intending to generate adequate productive employment and eradicate poverty.

## Tenth Plan (2002 - 2007)

The government realized that Economic Planning in India can not only be emphasizing economic growth. So, the Tenth Economic Planning in India set few monitorable targets with a growth target of 8% which includes-

- reduction in Infant & maternal mortality rates
- reduction in gender gaps in literacy and wage rate
- access to potable drinking water, cleaning of major polluted rivers
- improvement in literacy

According to this plan, the factor responsible for development in agriculture and economy is good governance. Also, as per this plan, the Panchayati Raj's involvement can increase the state's role in planning the tenth plan. Also, it distributed the plan state-wise for a better understanding of the growth target.

## Eleventh Plan (2007 - 2012)

The eleventh five year Plan of India was focused on faster & more Inclusive Growth. By the end of the tenth five year plan, India emerged as a fast growing economic country. Along with this, investment rates and saving rates were increased, also foreign investors were interestingly investing in India. However, this growth was not well perceived by a lot of groups like minorities, STs, and SCs. That is why this plan focused on Current daily employment, mortality rate, malnutrition, poverty, etc.

## Twelfth Plan (2012 - 2017)

It seeks to achieve 4% growth in the agriculture sector. It aims at an average GDP Growth Rate of 8%. Increasing Infrastructure investment to 9% of GDP. The Provision of Banking Services for 90% of households. Getting 5 Indian Universities in the list of top 200 universities in the world. Reducing Infant Mortality Rate to 25 & Maternal Mortality Rate to 100.

## NITI Aayog

NITI Aayog, the National Institution for Transforming India, is a policy think tank of the Government of India established in 2015. It replaced the Planning Commission. It has a dual objective of achieving sustainable development goals and enhancing cooperative federalism with a 'bottom to top' approach.

Its initiatives include

- (a) Action Plan- 3 Years
- (b) Strategy Plan- 7 Years
- (c) Vision Plan- 15

## Significance of Economic Planning in India

The Economic Planning in India was successful in getting the following objectives-

- **Achievements in Economic Growth**- One of the major objectives of bringing in the Economic Planning in India was to achieve economic growth. It was successful in the increase in the productivity of the industrial and agricultural sectors which has increased the per capita income and the national income as well.
- **Creation of Infrastructure**- With time and proper planning, India was able to create better infrastructure, irrigation, and hydroelectric projects, better roads, and railway networks.
- **Development in Education**- With Economic Planning, there has been noted that a large number of children are enrolled in schools, colleges, and universities.
- **Development of Science and Technology**- The increase in technical skills and skilled manpower is a result of the Economic Planning in India. Also, India is able to send technical experts to foreign countries.
- **Expansion of Foreign Trade**- Because of the increase in the level of industrialization, there is an increase in the export of manufacturing and engineering goods. Thus, ultimately, foreign trade has increased.

## Failures of Economic Planning in India

Though Economic Planning in India has been able to fulfill certain objectives, it was not able to eradicate the following-

- **Failure to Remove Poverty and Inequality completely**- It is a big taboo in India but the Economic Planning in India is still not able to get rid of these two issues.
- **Unemployment**- It has opened the doors for a few workers every year but a large number of workers in India are still searching for employment. According to the stats, The unemployment rate in India is 6.6%.
- **Failure to eradicate Corruption and stop black money** - even after strategic planning, black money and corruption is still an area of concern.
- **Inflation**- It is unable to stop the inflation of goods even after 70 years.