

An evolution of structured economic planning in India: A retrospective study

Ananda. S

Assistant Professor, Department of History, Government Arts College, Bangalore

Abstract: In India, the planned economic development began in 1951, with the inception of the First Five Year Plan. However, in India, the significance of planning was recognized even before independence. Various ideological perspectives were brought to influence the efforts of 'Plan formulation' by a few individuals and institutions. Socio economic Planning has been one of the most noteworthy inventions of the twentieth century. Even before independence the nation was conscious about the significance of planned development. Prominent leaders like Dadabhai Naoroji (1825 - 1917), M. C. Ranade, (1842-1901), R. G. Dutt (1848 - 1909) highlighted the social and economic problems of the Indians. Almost all the national leaders were keen on 'Political freedom', as they believed, is the key tool to solve the socio-economic problems prevailing in the country. Starting from the Soviet experiment in 1928, planning slowly swept over almost two third of the entire world. During 1930's, when the whole world was affected by great depression, only USSR was exempted from the adverse effects of great depression, because of their planning. This instigated the whole world to think seriously about the need for systematic planning. The resolutions of the Indian National Congress from 1929 onwards stressed the need for the revolutionary changes in the present economic structure of society and removal of great inequalities in order to remove poverty and improve the economic and social conditions of the masses. In the year 1934, Sir M. Vishveshwaraya wrote a book named 'Planned Economy for India', which was the first attempt in this direction, in which he prepared a ten year plan for economic development of the country. On the other hand the Government of India Act-1935, introduced provincial autonomy which led to the formation of Congress Government in eight provinces. In August 1937 the Congress Working Committee passed a resolution suggesting the committee of inter provincial experts to consider urgent and vital problems, the solution of which is necessary to any scheme of national reconstruction and social planning. All this necessitated the requirement of a structured planning to systematically address the gamut of problems prevailing at time. Hence this paper records all the important

milestones in economic planning in India and its historical perspective.

Key words: Economic Planning, Systematic approach, Economic reconstruction, Solutions.

INTRODUCTION TO PRELIMINARY EFFORTS OF PLANNING

In 1938, the Indian National Congress (INC), under the leadership of Pt. Jawaharlal Nehru, made a 'National Planning Committee', consisting of fifteen members. The Committee emphasized that the national independence is an indispensable primary condition for taking all the steps that are necessary for carrying out the plan in all its various aspects. The setting up by the Indian National Congress of a National Planning Committee towards the end of 1938—nine years before independence—highlighted the importance of social and economic objectives. The National Planning Committee appointed several sub committees to study different aspects of the national economy. It was the first attempt on the part of the people of India to examine the fundamental economic problems and to prepare a consolidated plan for the upliftment of people. However, due to outbreak of second world war during the same period, the committee could not function, since most of its members and leaders were sent to jail. Therefore, post world war, committee was constituted under the chairmanship of Sir Ramaswami Mudaliar.

The Bombay Plan 1944:

In the early 1944, eight eminent industrialists and economists of Bombay, headed by Sir Purshottamdas Thakurdas, Mr. J.R.D. Tata made an attempt and published a development plan, which was called 'Bombay plan'. Its main purpose was to stimulate the thinking of the people and to lay down the principles on the basis of which a national plan could be

formulated and executed. The central aim of the plan was to raise the national income to such a level that after meeting the minimum requirements of every individual we would be left with enough resources for the enjoyment of life and for cultural activities.” Thus its objective was at doubling the per capita income in the country over a period of 15 years. It proposed the increase of about 130 per cent and 500 percent, in agriculture and industry respectively. The total outlay of Rs. 10,000 crores was recommended. The planners believed that this could be achieved only by reducing the overwhelming predominance of agriculture and by establishing a balanced economy. This plan was the systematic scheme of economic planning which made the country plan-minded. Its major shortcoming was of maintenance of a capitalist order and giving step-motherly treatment to agriculture sector.

In August 1944, the Indian Government inaugurated a separate department called ‘The Planning and Development Department’ and appointed Sir Ardishar Dallas, the controller of Bombay Plan, as its acting member. Inspired by the economic views of Mahatma Gandhi, Shri S.N. Agarwal of Wardha, put forward a plan in 1944. It sought to set up a decentralized economy with self sufficient villages and Industrial production. It laid emphasis on small scale industries and agriculture. But its scheme of financing was unsound.

People’s plan (1945):

Another plan was prepared by the late M.N. Roy (a ten year plan) called the ‘People Plan.’ It was different from the Bombay plan in methodology and priorities. Its chief emphasis was on agricultural and consumer goods industries through collectivization and setting up of state owned industrialization. It advocated the nationalization of land. The plan was ambitious but could not properly mobilize the resources.

Advisory planning board (1946):

The interim Government was formed on 24th August, 1946. This Government established a High Level Advisory Planning Board in order to study the problems of planning and developments in the country. the board studied all the problems very deeply and gave recommendations to establish a stable ‘Planning Commission’ at the central level, which could continuously work for the planning and development of the country. It also recommended a

consultative body of 25 to 30 members which would meet half yearly or quarterly to advice on problems and receive progress reports. Its recommendations were feasible and reasonable but still it also suffered from limitations. After independence the plan became inadequate as a result of the changed social and economic conditions due to partition.

Later developments:

On 15th August 1947, India became independent from British Rule and India’s constitution came into effect from 26th January 1950. Directive Principles of the State Policy, an integral part of the Constitution, laid guidelines to be followed while delivering good governance. The working Committee of the Congress Party passed a comprehensive resolution on planned economy for the country and the appointment of the Planning Commission. The resolution states “The need for a comprehensive plan has become a matter of compelling urgency in India now owing to the ravages of Second World War and the economic and political consequences of the partition of the country which followed in the wake of achievement of freedom and steady worsening of the economic situation in India and the World”. Thus the National Planning Commission was established on 15th March, 1950. In 1950, Shri Jaiprakash Narayan published a plan called ‘Sarvodaya Plan’. Though the government did not accept the entire plan, but has adopted few parts of it.

The National Planning Commission of India (1950):

There is no account of Planning Commission in the Indian Constitution. Therefore, it was constituted in the form of an advisory and specialized institution by means of a documents the Government. Consequently, the Government has been changing its nature and organisation from time to time. The Planning Commission was set up by a Resolution of the Government of India in March 1950 in pursuance of declared objectives 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 for employment in the service of the community. The Planning Commission was charged with the responsibility of making assessment of all resources of the country, augmenting deficient resources, formulating plans for the most effective and balanced utilization of resources and determining priorities. The

then Prime Minister Pt. Jawaharlal Nehru was appointed as the first chairman of Planning Commission. Five full time members were also nominated. The ministers and scholars have constantly been nominated from time to time in this commission. Prime Minister remains its ex-officio Chairman. There is no definite qualification for its members and are appointed by the Government on its own discretion. The objectives of National Planning Commission were:

1. To estimate the physical, capital and human resources of the country.
2. To prepare plan for making effective and balanced utilization of human resources.
3. To determine the various stages of planning and to propose the allocation of resources on priority basis.
4. To indicate those factors to the Government which prove to be an obstacle in the economic development and also to determine those circumstances which are necessary for the implementation of the plans under existing social and political situations.
5. To evaluate from time to time the progress achieved in every stage of plan and also to suggest remedial measures.
6. To advise the centre and state governments from time to time on special matters referred to the commission.

The Method of Plan Formulation:

The plan has to go through various stages in order to reach its final form. About 2-3 years before, the implementation of the targets and programmes of the Plan begins. The Planning Commission collects the data of national product, national consumption, availability of resources, national investment and saving for the future plan and it prepares micro and macro plans, keeping in view their allocation arrangements. Thereafter, these plans along with the data are sent to the National Development Council (NDC). The NDC again sends it back to the Planning Commission with or without any amendment. On this basis, the ministries of the Centre and the State Governments are asked to prepare their projects. The Planning commission obtains suggestions from the panel of experts operating in various sectors. On the basis of the requisites of the plan obtained from the different ministries and the opinion of the different specialists, the Planning Commission prepares a 'Draft Memorandum' of the plan, in which all the policies

and important details of the plan are laid down. This Draft Memorandum is sent to the Central Cabinet for discussion. After assessment, the Central Cabinet sends it to the National Development Council along with its suggestions. The NDC again sends it to the Planning Commission with its suggestions. The Planning Commission prepares a 'Draft Outline' of the objectives and programmes of the Plan, keeping in view the Draft Memorandum and suggestions given by the Cabinet and the National Development Council. This outline is sent to various State Governments and Central Ministries. It is published after receiving acceptance from the National Development Council. This published format along with the reactions of the experts is again sent to the Central Cabinet and National Development Council. The approved format is laid down in its final form, which is presented to Lok Sabha for discussion. After getting approved by the Parliament, the Government implements the Plan.

National Development Council (NDC):

It is a non-statutory and the apex body for decision making and deliberations on development matters in India, presided over by the Prime Minister. It was set up on 6th August 1952 to strengthen and mobilize the effort and resources of the nation in support of the Plan, to promote common economic policies in all vital spheres and to ensure the balanced and rapid development of all parts of the country. The Council comprises the Prime Minister, the Union Cabinet Ministers, Chief Ministers of all States or their substitutes, representatives of the Union Territories and the members of the Planning Commission. It is an extra-constitutional body. The main function of NDC is to evaluate the implementation of National Planning from time to time. To examine the social and economic policies that influence the economic development and to give suggestions in order to achieve the determined goal in National Plan and to achieve maximum co-operation of the people, improve administrative efficiency, suggesting necessary measures for the development of under developed and back ward classes and also to mobilize resources for national development.

Objectives of the Study:

1. To understand the origin of Five Year Plans in India and to record its important milestones.

2. To analyse the impact of various Five Year Plans on Indian Economy and its achievement

3. To explore the mode of plan formulation and the role of NDC.

4. To know the new system devised in India which replaced National Planning Commission.

Type of Research: It is a descriptive study in nature.

Nature of Data: This report is purely based on secondary data and hence a desk report. The secondary information needed for the analysis is procured from various sources such as Books, Articles published in various national and international journals, reports etc.,

A brief Summary of Five Year Plans in India:

<i>Five Year Plan</i>	<i>Details</i>
1 st (1951-56) Target growth: 2.1% Actual growth: 3.6%	Jawaharlal Nehru presented it on 8/12/1951. Based on 'Harrod Domar' model. Community Development Program launched in 1952. It was a successful plan primarily because of good harvests in the last two years of the plan.
2 nd (1956-61) Target Growth: 4.5% Actual growth: 4.27%	Focus was on rapid industrialization, based on 'Mahalanobis model'. Advocated huge imports through foreign loans.
3 rd (1961-66) Target Growth: 5.6% Actual Growth: 2.84%	At its conception, it was felt that Indian economy has entered a take-off stage. Therefore, its aim was to make India a 'self-reliant' and 'self-generating' economy. Based on the experience of first two plans, agriculture was given top priority to support the exports and industry. Due to War with China (1961-62) and with Pak (1965-66) Plan failed to meet its targets.
Annual Plan 1966-69 'Plan Holiday'	Prevailing crisis in agriculture and serious food shortage necessitated the emphasis on agriculture during the Annual Plans. During these plans a whole new agricultural strategy was implemented. It involving wide-spread distribution of high yielding varieties of seeds, extensive use of fertilizers, exploitation of irrigation potential and soil conservation. During the Annual Plans, the economy absorbed the shocks generated during the Third Plan
4 th (1969-74)	Based on Gadgil plan with 2 principal objectives: Growth with stability and Progressive achievement of self reliance. "Garibi Hatao" was the main slogan.

Target Growth: 5.7% Actual Growth: 3.30%	First two years of the plan saw record production. The last three years did not measure up due to poor monsoon. Droughts and Indo-Pak war of 1971-72 led the economy to capital diversions creating financial crunch for the plan. Influx of Bangladeshi refugees was an important issue.
5 th (1974-79) Target Growth: 4.4% Actual Growth: 3.8	The fifth plan was prepared and launched by D.D. Dhar. It proposed to achieve two main objectives: 'removal of poverty' (Garibi Hatao) and 'attainment of self reliance'. Promotion of high rate of growth, better distribution of income and significant growth in the domestic rate of savings were seen as key instruments. National Minimum Needs Programme (Education, H ₂ O, Rural roads, Housing) were concentrated. The plan was terminated in 1978 (instead of 1979) when Janta Party came to power. Plan focused on import substitution and export promotion.
Annual Plan (Rolling Plan)	1978-80 – 'Rolling Plan'. Plan targets of previous years were to be achieved in the next year advocated by Gunnar Myrdal. There were 2 Sixth Plans. Janta Govt. put forward a plan for 1978-1983. However, the government lasted for only 2 years. Congress Govt. returned to power in 1980 and launched a different plan.
6 th (1980-85) Target Growth: 5.2% Actual Growth: 5.66%	Focus - Increase in national income, modernization of technology, ensuring continuous decrease in poverty and unemployment, population control through family planning, etc. Importance for rural areas. IRDP (1979) – Target Group approach started- NREP, RLEGP, KVIP, TRYSEM etc.,
7 th (1985-90) Target Growth: 5.0% Actual Growth: 6.01%	April 1985, importance was given to rapid food production, employment creation and productivity in general. First time private sector got the priority over public sector. The plan was very successful, the economy recorded 6% growth rate against the targeted 5%.
8 th (1990-95) Target growth: 5.6% Actual growth: 6.8%.	Focus on "Human Resource Development". The eighth plan was postponed by two years because of political uncertainty at the Centre. Worsening Balance of Payment position and inflation during 1990-91 were the key issues during the launch of the plan. The plan undertook drastic policy measures to combat the bad economic situation and to undertake an annual average growth of 5.6%. Some of the main economic outcomes during eighth plan period were rapid economic growth, high growth of agriculture and allied sector, and manufacturing sector, growth

	in exports and imports, improvement in trade and current account deficit.
9 th (1997-2002) Target Growth: 6.5% Actual Growth: 5.35%	Aim was “Growth with Social Justice”. It was developed in the context of four important dimensions: Quality of life, generation of productive employment, regional balance and self-reliance. 7 identified Basic Minimum Services (BMS): H ₂ O, Primary health, Primary education, Housing, Nutritional support to children, connectivity to all villages and habitations, streamlining of public distribution system.
10 th (2002-07) Target growth: 8.1% Actual Growth: 7.7%	Plan aim at “Double the Per Capita Income” in the next 10 years To achieve 8.1% GDP growth rate. Reduction of poverty ratio by 5 percentage points by 2007. Providing gainful high quality employment to the addition to the labour force over the tenth plan period. Reduction in gender gaps in literacy and wage rates by atleast 50% by 2007. Increase in literacy rate to 72% within the plan period and to 80% by 2012. Reduction of Infant Mortality Rate (IMR) to 45 per 1000 live births by 2007 and to 28 by 2012. Cleaning of all major polluted rivers by 2007 and other notified stretches by 2012.
11 th (2007-12) Target growth: 8.1% Actual Growth: 7.9%	Twelfth Plan focused “Faster and more Inclusive Growth”, Prepared by C Rangarajan to: Accelerate GDP growth from 8% to 10%. Increase agricultural GDP growth rate to 4% per year. Create 70 million new work opportunities and reduce educated unemployment to below 5%. Raise the sex ratio for age group 0-6 to 935 by 2011-12 and to 950 by 2016-17. ‘Towards faster and more inclusive growth’. Ensure direct and indirect beneficiaries of all government schemes are women and girl children. Connect every village by telephone and provide broadband connectivity to all villages. Attain WHO standards of air quality in all major cities by 2011-12. Increase energy efficiency by 20 percentage points by 2016-17.
12 th (2012-17) Target Growth :8%	Twelfth Plan focuses “Faster and more Inclusive and Sustainable Growth”. Poverty rate to be reduced by 10% than the rate at the end of 11 th plan. End gender gap and social gap in school enrollment. Reduce under nutrition of children in age group 0-3 to half of NFHS-3 levels. Increase green cover by 1 million hectare every year. Increase renewable energy during Five Year Period.

NITI Aayog – the new norm:

The new government led by Narendra Modi, elected in 2014, has announced the dissolution of the Planning Commission, and its replacement by a think tank called the NITI Aayog. With the Prime Minister as the ex-officio Chairman, the commission has a nominated Deputy Chairman, who holds the rank of a Cabinet Minister. It was established on 1st January 2015, head quartered at New Delhi. Its initiatives include “15-year road map”, “7-year vision, strategy, and action plan”, AMRUT, Digital India, Atal Innovation Mission, Medical Education Reform, agriculture reforms (Model Land Leasing Law, Reforms of the Agricultural Produce Marketing Committee Act, Agricultural Marketing and Farmer Friendly Reforms Index for ranking states), Indices Measuring States’ Performance in Health, Education and Water Management, Sub-Group of Chief Ministers on Rationalization of Centrally Sponsored Schemes, Sub-Group of Chief Ministers on Swachh Bharat Abhiyan, Sub-Group of Chief Ministers on Skill Development, Task Forces on Agriculture and up of Poverty, and Transforming India Lecture Series. The NITI Aayog council comprises all the state Chief Ministers, along with the Chief Ministers of Delhi and Puducherry, Lieutenant Governors of all UTs, and a vice-chairman nominated by the Prime Minister. In addition, temporary members are selected from leading universities and research institutions. These members include a chief executive officer, four ex-official members, and two part-time members. Rajiv Kumar is the present Vice-Chairman of Niti Aayog.

CONCLUSION

Achievements of Five Year Plan are: impressive industrialization in capital goods sector through public sector, development of economic infrastructure like energy, irrigation, roads, transport and communication. Diversification of export and import substitution. Rise in life expectancy and rise in literacy level. Development of science & technology and the nuclear power for peaceful purposes. Increasing national income and improving average standard of Living of the people. Achieving self reliance so as to minimize dependence on foreign aid. Increasing pace of industrialization of both basic and heavy industries. Narrowing down both vertical and horizontal inequalities. Increasing employment potential of various sectors. Failures of Five Year Plans are like

social inequality, failure of land reforms, unbalanced regional growth, corruption, black money and many social problems. In 2014 government decided to discontinue with Planning Commission and replaced by the newly formed NITI Ayog.

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